S. HRG. 108–440, PT. 6

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

ON

S. 2400

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 2005 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

PART 6
PERSONNEL

MARCH 2, 4, 31, 2004

Printed for the use of the Committee on Armed Services

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CONTENTS

CHRONOLOGICAL LIST OF WITNESSES

ACTIVE COMPONENT, RESERVE COMPONENT, AND CIVILIAN PERSONNEL PROGRAMS

MARCH 2, 2004

	Page
Chu, Hon. David S.C., Under Secretary of Defense for Personnel and Readiness	5
Brown, Hon. Reginald J., Assistant Secretary of the Army for Manpower and Reserve Affairs	26
Navas, Hon. William A., Jr., Assistant Secretary of the Navy for Manpower and Reserve Affairs	35
Dominguez, Hon. Michael L., Assistant Secretary of the Air Force for Manpower and Reserve Affairs	44
Hagenbeck, LTG Franklin L., USA, Deputy Chief of Staff for Personnel, United States Army	65
Hoewing, VADM Gerald L., USN, Chief of Naval Personnel, United States Navy	73
Parks, Lt. Gen. Garry L., USMC, Deputy Chief of Staff for Manpower and Reserve Affairs, United States Marine Corps	85
Brown, Lt. Gen. Richard E., USAF, Deputy Chief of Staff for Personnel, United States Air Force	98

COMPENSATION, BENEFITS, AND HEALTH CARE FOR ACTIVE AND RESERVE MILITARY PERSONNEL AND THEIR FAMILIES

MARCH 4, 2004

Daschle, Hon. Tom, U.S. Senator from South Dakota	125
Abell, Hon. Charles S., Principal Deputy Under Secretary of Defense for Personnel and Readiness	130
Winkenwerder, Hon. William, Jr., Assistant Secretary of Defense for Health Affairs	145
Raezer, Joyce Wessel, Director, Government Relations, National Military Family Association	243
Schwartz, Sue, D.B.A, RN, Co-Chair, The Military Coalition Health Care Committee	258
Cline, Master Sergeant Michael P., USA (Ret.), Co-Chair, The Military Coalition, and Executive Director, Enlisted Association of the National Guard of the United States	259
Holleman, Deirdre Parke, Legislative Director, The Retired Enlisted Association	290
Duggan, COL Dennis M., USA (Ret.), Deputy Director, National Security-Foreign Relations Division, The American Legion	294

Page

ACTIVE AND RESERVE MILITARY AND CVILIAN PERSONNEL PROGRAMS

MARCH 31, 2004

Hall, Hon. Thomas F., Assistant Secretary of Defense for Reserve Affairs 367
Blum, LTG H. Steven, USA, Chief, National Guard Bureau, Army National Guard 391
Schultz, LTG Roger C., USA, Director, Army National Guard 394
James, Lt. Gen. Daniel III, ANG, Director, Air National Guard 395
Helmly, LTG James R., USAR, Chief, U.S. Army Reserve 459
Cotton, VADM John G., USNR, Chief, U.S. Naval Reserve 471
McCarthy, Lt. Gen. Dennis M., USMCR, Commander, Marine Forces Reserve 478
Sherrard, Lt. Gen. James E., III, USAF, Chief, U.S. Air Force Reserve 487

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

TUESDAY, MARCH 2, 2004

U.S. SENATE,
SUBCOMMITTEE ON PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

ACTIVE COMPONENT, RESERVE COMPONENT, AND CIVILIAN PERSONNEL PROGRAMS

The subcommittee met, pursuant to notice, at 2:30 p.m. in room SR–232A, Russell Senate Office Building, Senator Saxby Chambliss (chairman of the subcommittee) presiding.

Committee members present: Senators Chambliss, Dole, Cornyn, Levin, and E. Benjamin Nelson.

Committee staff member present: Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Scott W. Stucky, general counsel; Diana G. Tabler, professional staff member; and Richard F. Walsh, counsel.

Minority staff member present: Gabriella Eisen, research assistant.

Staff assistants present: Sara R. Mareno and Pendred K. Wilson.

Committee members' assistants present: Clyde A. Taylor IV, assistant to Senator Chambliss; Christine O. Hill, assistant to Senator Dole; Eric Pierce, assistant to Senator E. Benjamin Nelson; and Terri Glaze, assistant to Senator Pryor.

OPENING STATEMENT OF SENATOR SAXBY CHAMBLISS, CHAIRMAN

Senator CHAMBLISS. This hearing will come to order.

Let me, first of all, apologize to all of our witnesses. Senator Nelson and I are having to do what you citizens pay us to do, which is get over there and vote. When 10-minute votes extend into 25 minutes, it gets a little frustrating. We have one more vote that we're going to have to cast, and hopefully we can get statements out of the way, and we'll go vote at the end of the next vote, and come back and complete our hearing.

I want to go ahead and get started. We know you folks are busy and have schedules that you operate on, so I'm going to try to rush through my statement quickly here and get right to our witnesses.

The subcommittee meets today to receive testimony on active component, Reserve component, and civilian personnel programs in review of the National Defense Authorization Act for Fiscal Year 2005.

Dr. Chu, you're getting to be a regular over here. We're always happy to see you, and we're glad to have you back today.

Dr. CHU. Thank you, sir.

Senator CHAMBLISS. We also welcome the Assistant Secretaries for Manpower and Reserve Affairs of each of the Services, Reginald J. Brown, of the Army; William A. Navas, of the Navy; and Michael L. Dominguez, of the Air Force.

Our second panel will consist of the personnel chiefs of the military services, and I'll introduce them at the conclusion of our first panel.

Our All-Volunteer Force reached its 30th anniversary last year. This is an achievement for which we are all proud. We truly have the finest military in the world. But it is essential that we continue to work together to create the incentives that will continue to result in good recruiting, retention, and quality of life, and, through these means, outstanding readiness.

Now, Dr. Chu, as you know, and I'm sure all of the other gentlemen know, we had a hearing last week on sexual assaults in the military, and we look forward to continuing the dialogue on that issue to make sure that all of our men and women live in safe and secure living, as well as working, environments. I will tell you, too, that we are treating the situation relative to the Air Force Academy (AFA) as a separate issue, and we're going to be doing some follow-on relative to that. It will be related to, but not in conjunction with, the issue of sexual assaults in the military.

I want to just say that I will put my full statement in the record.

[The prepared statement of Senator Chambliss follows:]

PREPARED STATEMENT BY SENATOR SAXBY CHAMBLISS

Good afternoon. The subcommittee will come to order. The subcommittee meets today to receive testimony on active component, Reserve component, and civilian personnel programs in review of the National Defense Authorization Request for Fiscal Year 2005.

Dr. Chu, welcome. We're pleased to have you appear again before the subcommittee. We also welcome the Assistant Secretaries of each of the Services for Manpower and Reserve Affairs: Reginald J. Brown of the Army, William A. Navas of the Navy, and Michael L. Dominguez of the Air Force. Our second panel will consist of the personnel chiefs of the military services, and I will introduce them at the conclusion of our first panel.

Our "All-Volunteer" Armed Forces reached its 30th anniversary last year. This is an achievement for which we are proud. We truly have the finest military in the world. But it is essential that we continue to work together to create the incentives that will continue to result in good recruiting, retention, quality of life, and, through these means, outstanding readiness.

Last week, Dr. Chu and the Vice Chiefs of Staff of each of the Services testified before this subcommittee about the deeply troubling issue of sexual assault in the Armed Forces. We had a good exchange of views, and we received very useful information about the current policies and programs within the Department of Defense (DOD) for responding to victims of sexual assault. I was encouraged by the determination that you, Dr. Chu, and the Vice Chiefs expressed to take steps that will prevent sexual assaults, provide vital services to victims of rape and sexual assault, and ensure vigorous identification and prosecution of offenders. All of the Senators present at that hearing made it very clear that they will carefully review the progress of the DOD Task Force and its findings and recommendations. As I discussed at that hearing, I hope to see changes implemented that will bring standard-

ization of programs and resources throughout the Services, thus ensuring safe living and working environments for all women in uniform.

I want to start today by praising the performance of the men and women of the United States Armed Forces over the past year. At this time last year, our forces were massed on the Iraqi border, in Kuwait, Qatar, the Persian Gulf and throughout the Central Command (CENTCOM) Area of Operations (AO). In early March 2003, they were only days away from the start of Operation Iraqi Freedom (OIF)—a brilliant military campaign that swept Saddam Hussein and his gang of murderers out of power and created a new era of hope for the Iraqi people. Our soldiers, sailors, airmen, and marines performed magnificently, and continue to do so today, but we mourn for those who have paid the ultimate price in defense of freedom. Our prayers go out to the families of those who have died, and those who have been injured, and we pray for the safety of those on duty today carrying out the noble mission of OIF.

I am also mindful today of the high tempo of operations and extended deployments that continue for so many service members. We recognize the contributions of our active-duty, National Guard, and Reserve personnel in protecting our freedom, and of the sacrifices they and their families have made. We thank them for their service.

There are many important issues that must be resolved in the months ahead. For example, the appropriate manpower strength for the active and Reserve components of the Services is a central issue. General Schoomaker has testified that each additional 10,000 soldiers would cost the Army $1.2 billion and, if directed by Congress, an increase in authorized end strength would jeopardize the Army's ability to modernize and transform. Rebalancing the total force to enhance the Services' ability to respond to emergencies and mobilize rapidly is a key issue. Another matter of concern is whether—and how—to enhance benefits and compensation. Dr. Chu, in your written statement you noted the benefits of permissive pay authorities such as hardship duty pay and assignment incentive pay in responding flexibly to personnel shortfalls, and you recommended linking pay improvements to effects on readiness. The subcommittee will carefully consider your recommendations and the budgetary implications of proposals affecting pay. In this regard, the DOD's ongoing preparation of reports on the sufficiency of the Reserve pay structure and of existing death benefits for service members would be very useful. We urge you to conclude those reports and get them to Congress as soon as possible.

This year, the subcommittee will again work closely with the DOD to ensure that the quality of life of the men and women of the Armed Forces and their families continues to improve. Our subcommittee was successful last year in focusing attention on the level of support being provided to military families. Our field hearings at Robins Air Force Base in Georgia and Offutt Air Force Base in Nebraska focused on these issues and included panels of spouses of deployed service members and military parents. They articulated the problems they, as spouses and parents, face in striving to raise strong families while their loved ones are deployed, and during frequent career moves. We will continue to focus on these issues during our deliberations of the fiscal year 2005 budget.

I want to thank the subcommittee's ranking member, Senator Ben Nelson, for his great support in the subcommittee's efforts and how much I look forward to working with him this year. As he knows, this subcommittee has a strong tradition of operating in a bipartisan spirit on behalf of soldiers, sailors, airmen, and marines. Senator Nelson, would you like to make any opening remarks?

Senator CHAMBLISS. I want to turn now to my good friend, my close colleague, from the great State of Nebraska, my ranking member, Senator Nelson, for his comments and to once again just tell him how much I appreciate his support and his working together in a bipartisan way to make sure that our soldiers, sailors, airmen, and marines have the very best military in which to serve.

Senator Nelson.

STATEMENT SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. I thank you, Mr. Chairman. I appreciate those kind remarks.

I also appreciate the fact that we're having this hearing today, because of the importance of the subject as it relates to the future of our military. We're all proud of the work that they're doing

around the world. Our forces just recently deployed to Haiti to deal with issues that are of critical importance to us and to others around the world.

I, too, would like to have my entire statement put into the record.

[The prepared statement of Senator Ben Nelson follows:]

PREPARED STATEMENT BY SENATOR E. BENJAMIN NELSON

Thank you Senator Chambliss. I join you in welcoming all of our witnesses here today. I certainly look forward to their testimony.

This should be a very interesting hearing, and fiscal year 2005 should be a very interesting year from a military and civilian personnel perspective. Even though we don't yet have the DOD's legislative proposals for fiscal year 2005, we do know of some very interesting personnel issues in the works.

End strength will be a very important issue in the next few years. The Secretary of Defense has exercised the authority delegated to him by the President to authorize the Army to go above its congressionally authorized end strength by up to 30,000 soldiers. This is good news. It appears that the DOD has finally acknowledged what we have been saying for several years—that the Army is too small for all the missions assigned to it.

While Congress and the DOD agree on the need for a larger force, we still have an issue of how to pay for the increase. We can pay for more end strength through the normal appropriation and authorization processes, so that the cost of defense is clearly portrayed for the American taxpayer, or we can pay for it through emergency supplemental appropriations so that the cost doesn't impact as much on other Army and Defense programs.

At the same time the Army will be increasing the number of soldiers on active duty, the Air Force will be attempting to reduce its active duty end strength by over 16,000 airmen. This is no easy task if it is done in a way that honors the great service these airmen have so admirably provided to their Nation when the Nation needed them. The Navy will be facing a similar problem—the administration's budget request proposes to cut Navy active duty end strength by 7,900 sailors.

Assignment processes are also changing. The Army plans to move from an individual replacement system to a unit manning system as part of its "Force Stabilization" initiative. The Army has tried on 11 different occasions to transition to some type of unit manning to increase unit cohesion and combat readiness, but none of these attempts have succeeded in the past. I hope that this 12th attempt will be successful. The Navy is also changing to a new system for manning its ships—a system the Navy refers to as "Sea Swap."

Our Guard and Reserve personnel have been mobilized and are being employed like never before. They are making significant contributions to our Nation's defense. The Secretary of Defense has initiated a plan to rebalance the capabilities of the active and Reserve components to make more judicious use of our citizen-soldiers. We are anxious to see the results of this effort. Although some aspects of the use of our Guard and Reserve personnel will be discussed today, we will have another hearing completely devoted to Guard on Reserve issues on March 31.

As you can see, there are a lot of changes in the works for our military personnel. There are also significant changes taking place with respect to management of DOD civilian personnel. We will be paying very close attention to how the DOD implements the new National Security Personnel System (NSPS). So far, it has gotten off to a rocky start.

At the same time this new civilian personnel system is being implemented, each of the Services will be converting a large number of military positions to civilian positions so that uniformed personnel can be returned to the operating force. This will work only if the DOD adequately funds the resulting increase in the civilian workforce.

Senator Chambliss, I see a lot of turbulence in the military and civilian personnel area for the next several years. This will be particularly challenging for the Services as it will take place while they are heavily engaged in military operations.

I know that this committee will take seriously its oversight responsibility to our soldiers, sailors, airmen, and marines to ensure that their quality of life is enhanced, and will not be adversely affected by these changes.

Senator Chambliss, I'm anxious to hear from our witnesses.

Senator BEN NELSON. I think it's important to say, at the outset, that I'm very anxious to hear how we're going to increase the end

strength by 30,000 troops in the Army, how it's going to impact a force reduction in the Air Force and in the Navy, and how we're going to balance those interests.

On other occasions, the Army has attempted to reorganize—I think, 11 times—and hasn't had a great deal of success, so I'm sort of anxious to find out why we think the 12th time is the charm. Not because I'm skeptical, but I'm one who recognizes the importance of history as a prologue for the future. So I would be very anxious to hear about that.

Of course, in terms of our Guard and Reserve personnel, I think it's extremely important to find out how we're going to reorganize the skill sets for different units of our military so that our Active-Duty Force can be supplemented, augmented by the inclusion of Guard and Reserve units, as additional sources of military personnel, as opposed to a very critical part of the personnel, from the ground up, as opposed to a top layer. The status of the military that we're discussing today is strong, but it suffers from overuse and over-deployment, in many cases, of our Guard and Reserve units. It is, in fact, going to create a problem for us at some point with recruitment and retention. Just as a matter of fairness, I don't think that the Guard and Reserve units should be activated and deployed more frequently and for longer deployments than the active-duty military. It was never intended for that, and so I'd be anxious to get your thoughts on that.

So thank you very much, Mr. Chairman. Thank you to the panelists for being here. It's good to see you again. I look forward to your thoughts and comments.

Senator CHAMBLISS. Thank you very much, Senator Nelson.

Dr. Chu, we'll start with you.

STATEMENT OF HON. DAVID S.C. CHU, UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS

Dr. CHU. Thank you very much, Mr. Chairman and Senator Nelson. It's a great privilege to be here this afternoon with my colleagues.

I do have a much longer statement that I hope you will accept for the record.

Senator CHAMBLISS. Certainly.

Dr. CHU. Let me summarize the main points that I'd like to advance very briefly.

As you noted, Mr. Chairman, we have just passed the 30th anniversary of the All-Volunteer Force. Since September 11, 2001, it has faced a series of the most significant challenges in its history. I would argue, as I think you do, that the performance of the All-Volunteer Force in the last 2½ years has been magnificent. Our job is to sustain that magnificent performance with the steps available to us.

Let me briefly touch on four subjects: first, how we propose to ease the strain on that force, as Senator Nelson has pointed out as an issue; second, the incentives that we seek from Congress to ensure a steady flow of recruits and a good level of retention of experienced personnel in that force; third, I'd like to say a word about the results to date, in terms of recruiting and retention; and,

fourth, very briefly, cover important management changes we're making inside the DOD as to how we manage our forces.

To the issue of strain on the force, we recognize that current operations do place a strain on our personnel, and we have a series of initiatives to alleviate that strain. You've heard a great deal about the Army's plan to increase the number of brigades within the existing divisional structure. We think this will be helpful. It will require some increase in the Army's end strength over the course of the next several years, although the Army does intend to return to the level outlined in the National Defense Authorization Act for Fiscal Year 2004, as a long-term objective.

We are in the process, in fiscal years 2004 and 2005, of converting 20,000 military slots across the DOD to civilian status. That will give additional military head-room for truly military tasks. We're very grateful to Congress for the NSPS authorities that we think will advantage this process, both immediately and over the long term.

We are, as Senator Nelson indicated, re-balancing both the Active and Reserve Forces, with a total of 50,000 spaces, changing skill designations in the period starting with fiscal year 2003 and running through fiscal year 2005.

We are trying to do a better job at providing all Reserve units at least 30 days notice on alert before they report for mobilization. We are trying to adhere to the Secretary's standard that a reservist would be called, at most, for 1 year of service in 6 years time. We are trying to avoid second mobilizations of any reservist, unless he or she is a volunteer. Indeed, the use of volunteers is one of the principles that we are underscoring in present operations.

We recognize, at the same time, that it is critical to support the families in these circumstances, both active and Reserve. My colleagues can speak to some of the innovations in that regard, especially what we are calling the Military OneSource approach to family support.

To the question of incentives, we are seeking in this budget a 3½ percent across-the-board pay raise, a continuation of an initiative begun some years ago to buy down the out-of-pocket housing allowance, and, of course, continuation of the important bonus authorities that are so critical to our retention effort. We are, in parallel, seeking an increase in the ceiling for what we call hardship duty pay, which we think is a very important instrument under the present circumstances.

As we look at the compensation changes made in concert between the executive and legislative branches over the last 5 or 6 years, we do notice a trend that we would like to call your attention to. That is, we have added a variety of benefits that largely accrue to those personnel who have left active service—post-service benefits, for the most part. I do think in the present circumstances, we will want to focus our attention on what we need to do for those currently serving on active duty, as opposed to those who are finished with their service or in a non-active status.

As to results, all of our components made their end strength numbers last year. That's a product of recruiting, retention, and attrition management. All of the various components made their recruiting goals, except for the Army National Guard, and I'm

pleased to say that the Army National Guard, in the first quarter of 2004, made its recruiting goal. All components made, or very nearly made, their retention objectives in the last fiscal year. Equally important, quality indicators for the new recruits in the military services are at high levels—near record levels, in fact. But this does require constant vigilance, given the demands made of this force, and we hope that we can work with you over the course of this year to make sure that we maintain this strong track record.

On the management front, we are seeking in this budget request a series of statutory changes that will enable us to keep some of the most senior officers for longer periods of time in their specific jobs, and a few for longer careers, as a whole. At the same time, we'd like to streamline some aspects of joint officer management while we look to the longer-term issues that Congress has asked us to address with the special studies now underway.

We are seeing, for the Reserve components, a more flexible set of instruments that we have gathered together under the heading of continuum of service, basically allowing us to take advantage of the variation in individual circumstances pertaining to that individual's ability to serve his or her Nation, to participate in Reserve service.

We are proceeding with implementation of the NSPS. We hope to have the first major group of employees under that system at the start of fiscal year 2005. We have a Web site on which we post developments, and on which we call the public's attention to as a source of information as to how that is proceeding.

We have begun the dialogue, in concert with our Office of Personnel Management (OPM) colleagues and with our unions. A joint 2-day meeting was held just this last week.

We are proceeding with the Joint National Training Capability that we hope to stand up in its initial version during fiscal year 2005 to ensure that we train as we fight. The first exercise in that effort was held this past January, and, indeed, the participants reported how valuable it can be. We would invite members of the subcommittee to visit these if you're interested, as we proceed with this exercise regimen. We certainly want to make those schedules available to you.

Defense health is one of the most important programs of the DOD. We have a new set of contracts that we think will be more effective in both delivering services and in controlling costs. We have consolidated the 11 regions we had before to just three, which will make it easier for military personnel to use the system. There is significant growth in the cost of military healthcare, both because of the general increase in healthcare costs in our society at large, but also because more people are coming back to the military health system as it proves a more attractive benefit for retired families.

The results, the good results, that I can report on today, and about which my colleagues can provide you with further detail, these results reflect, I think, a very constructive partnership between Congress and the executive branch. I hope we can continue that constructive partnership, and I look forward to working with you.

[The prepared statement of Dr. Chu follows:]

PREPARED STATEMENT BY DR. DAVID S.C. CHU

INTRODUCTION

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity to be here today.

Today's personnel overview is much more than a "report card" or a request for new legislation. I will be addressing the many ways that we are supporting our troops and their families, and the many issues that confront them. With your continuing support, I know that we can continue to attract and retain the best and brightest, and sustain the high quality of our All-Volunteer Force. Our young men and women and their families deserve the best we can give them.

In my overview, I will outline the critical steps we have taken to attract and retain talent in our Armed Forces—including targeted pay raises and numerous quality of life improvements for the service members and their families. Today, I will discuss a number of initiatives we are undertaking, such as reducing stress on our forces, rebalancing capabilities in the active and Reserve components, building a foreign language capability, making military families a top priority, and improving Department of Defense (DOD) healthcare management, to name but a few.

Using authorities and flexibility you have provided us, we have numerous initiatives underway to improve management of the force, and to increase readiness. With your help last year, we are now establishing a new National Security Personnel System (NSPS) that should help us better manage our 746,000 civilian employees. Similarly, we are using the new authorities granted us last year to preserve military training ranges while keeping our commitment to responsible stewardship of the environment. Flexible authorities that leverage readiness best serve our national defense.

We do face some challenges, such as the growing list of military entitlements that do not leverage readiness. With your continuing support, however, I am confident we can appropriately compensate our service members and their families for their sacrifices, yet maintain fiscal integrity.

END STRENGTH

Reducing stress on our forces is a top priority. Some have called for a permanent increase in end strength. We do not believe this is wise. We continue to review the adequacy of our military capabilities to ensure that we meet our Nation's security needs. End strength is a critical determinant of capability, but only one of many other factors. A permanent increase is not in the Nation's long-term interest. We have a number of other initiatives underway to increase our near-term and long-term capabilities while relieving near-term stress on the force.

The Services have begun converting 10,000 military positions to civilian in fiscal year 2004 and have programmed an additional 10,000 conversions for fiscal year 2005. The military end strength made available from these conversions will be used by the Army, Air Force, and Marine Corps to significantly improve long-term military capability and reduce stress on the active and Reserve components. The Navy's military-to-civilian conversions will result in military end strength reductions and substantial cost savings, thanks in part to fleet modernization.

Moreover, by employing transformational force management practices, the Services can perhaps achieve the greatest degree of flexibility in utilizing the total force, while reducing both the stress on critical career fields and the need for involuntary mobilization. Force rebalancing, continuum of service, reach-back operations, rotational overseas presence, and improvements in the mobilization process can help to ensure that the Services have quick access to individuals with the skills and capabilities required for both emergency operations and sustained, day-to-day activities.

Given the flexibilities the law accords to the Secretary and the military departments, adequate temporary end strength increases can be pursued as necessary. As you will recall, Congress amended title 10 in the National Defense Authorization Act for Fiscal Year 2003 to allow the Secretary to temporarily exceed end strength by 3 percent instead of the previous 2 percent authority. Such temporary authority provides an efficient and timely way to meet Service requirements. The Army is using this flexibility while it continues current operations and reconfigures for future engagements. We anticipate that the requirement for this end strength "spike" will dissipate as the global war on terrorism military manpower needs abate, the Army transition stabilizes, and our other initiatives take effect.

The United States can afford whatever military force level is necessary and appropriate to ensure our national security, but adding permanent military end strength

should be the last choice . . . not the first. The costs are sizable over the lifetime of each added service member. Further, it takes time to recruit, train, and integrate new military personnel—the desired results will not materialize in the short run. Additionally, the funds required for a permanent increase in military end strength would crowd out funding for the transformational capabilities that are essential for our future security and offer the best way to reduce stress on both our current and future forces. Consequently, we should focus our efforts on making better use of our existing end strength so that we can reduce stress on the force while concomitantly increasing our capability.

REBALANCING THE FORCE

The Reserve components are making significant and lasting contributions to the Nation's defense and to the global war on terrorism while the DOD transforms to a more responsive, lethal, and agile force. However, it has become evident that the balance of capabilities in the active and Reserve components is not the best for the future. There is a need for rebalancing to improve the responsiveness of the force and to help ease stress on units and individuals with skills in high demand.

Ensuring we have the right balance of our capabilities requires a multifaceted approach by the DOD—no single solution will resolve the challenges faced by the Services. To achieve this goal, we have engaged in a cohesive rebalancing strategy to achieve the right force mix. The strategy consists of the following points:

- Move later deploying active component (AC) forces forward in operations plans and early deploying Reserve component (RC) forces later in the plan; shift assets among combatant commanders.
- Introduce innovative management techniques (such as enhanced volunteerism, expanded use of reachback, and streamlining the mobilization process to improve responsiveness).
- Rebalance capabilities by converting lower priority structure to higher priority structure both within and between the AC and RC.

Through a comprehensive rebalancing strategy, we will gain added efficiencies from the existing force structure that may preclude any necessity to increase force end strength. The rebalancing strategy has as its objectives: to enhance early responsiveness by structuring forces to reduce the need for involuntary mobilization during the early stages of a rapid response operation; to spread mobilizations/deployments across career fields by structuring forces to achieve reasonable and sustainable rates; and to employ innovative management practices. By employing innovative force management practices, the Services can perhaps achieve the greatest degree of flexibility in utilizing the total force, while reducing repeated use in certain career fields and the need for involuntary mobilization.

Rebalancing efforts will not happen overnight. This process will be iterative and ongoing, as demands on the total force change and new requirements demand different skill sets. Already, in 2003, the Services have rebalanced some 10,000 positions within and between the AC and RC. For example, the Army is transforming 18 Army Guard field artillery batteries into military police (MPs). We intend to expand those efforts this year by rebalancing an additional 20,000 positions and will rebalance another 20,000 in 2005—for a total of 50,000 rebalanced positions by the end of next year. Rebalancing is planned for such critical fields as civil affairs, psychological operations, chemical, Special Operations Forces, intelligence, and MPs. Indeed, we are accelerating the creation of 19 MP provisional units through conversions.

ACTIVE DEPLOYMENT AND RESERVE MOBILIZATIONS

Since the beginning of the global war on terrorism, approximately 171,250 active duty members have been deployed (Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF)). As of December 31, 2003, 1,423,341 service members were on active duty.

In the Reserve components, we are in the midst of one of the longest periods of mobilization in our history. The men and women of the National Guard and Reserve have responded promptly and are performing their duties, as the Nation requires. As of 31 December 2003, we had mobilized 319,193 Reserve personnel, since the beginning of the global war on terrorism, who are performing and have performed magnificently throughout the world. We are managing these call-ups in a prudent and judicious manner, assuring fair and equitable treatment as we continue to rely on these citizen-soldiers.

As of 31 December 2003, there were 181,459 mobilized under 10 USC Sec. 12302.

- Army National Guard: 91,079

- Army Reserve: 65,079
- Air National Guard: 6,420
- Air Force Reserve: 9,376
- Navy Reserve: 1,562
- Marine Corps Reserve: 6,774
- Coast Guard Reserve: 1,169

Managing Force Capabilities in High Demand Skills

With the global war on terrorism and the ongoing mobilization of Guard and Reserve members, we are monitoring the capabilities in the RCs that are in high demand. We have identified actions necessary to reduce the demand on these capabilities, where necessary.

About 320,000 RC members have been called to active duty in support for the global war on terrorism since September 11, 2001. To assess the capabilities that are projected to be in demand as we prosecute the war on terrorism, the DOD has conducted an analysis of what elements of the RC have been called-up—evaluating that usage in terms of:

- Frequency of call-up—the number of times members have been called to active duty since 1996,
- Percentage of available pool—what percent of the RC force has already been used to support current operations, and
- Duration—how long the members served when they were called-up.

Frequency of call-up—to date, a relatively small number of RC members have been called up in support of the current operation who were called up for other contingency operations in the last 8 years. Less than 12,000 out of the 876,000 members in the Selected Reserve (or just over 1 percent) have been called up in support of multiple contingencies since 1996. Another 16,000 (or about 2 percent of the Selected Reserve) have been called up more than once for the global war on terrorism. Overall, the frequency of call-ups does not indicate an excessively high demand on the Reserve Force at this time.

Percent of available pool—Through December 2003, 36 percent of the Selected Reserve Force was mobilized in just over 2 years of this operation. However, the usage rate is not consistent across the force. Some career fields—like force protection assets, civil affairs, intelligence, and air crews—have been used at a much higher rate. Other career fields—like medical administration, legal, and dental care—have been used at a much lower rate. Currently, the utilization is concentrated in about one-fourth of officer career fields and about one-third of the enlisted career fields; furthermore, the highest utilization is concentrated in a relatively small number of selected career fields.

Duration—Tour lengths for RC call-ups have increased for every operation since Operations Desert Shield/Desert Storm. The average tour length for Operations Desert Shield/Desert Storm was 156 days. For operations in Bosnia, Kosovo, and Southwest Asia, tours were for about 200 days. For those members who have completed tours of duty during the current contingency, tour lengths have averaged about 320 days. To mitigate the depletion of the available pool of Reserve assets, the DOD policy is to utilize volunteers to the maximum extent possible. RC members will not serve involuntarily more than 24 cumulative months.

Continuum of Service

We are in our second year of implementing a new approach in force management called "continuum of service." The continuum of service will facilitate varying levels of participation and enable military personnel to move back and forth between full-time and part-time service. Particularly for reservists, this approach would make it easier for them to voluntarily move up to full-time service for a period of time, or into a participation level somewhere between full-time and the traditional 38 days of Reserve training each year. Or it would allow them to move in the other direction—fewer days of participation as their circumstances dictate. Similarly, an active service member could move into a RC for a period of time, without jeopardizing his or her career and eventual opportunity for promotion. Just as the continuum of service model encourages volunteerism among the standing force, it also creates opportunities for military retirees and other individuals with specialized skills to serve on a more flexible basis, if their skills are needed.

The continuum of service model has a number of important advantages: in addition to capitalizing on volunteerism, it will enhance the ability of the Armed Forces to take advantage of the high-tech skills many reservists have developed by virtue of their private sector experience—while at the same time creating opportunities for those in the Active Force to acquire those kinds of skills and experiences. It improves our capability to manage the military workforce in a flexible manner, with

options that currently exist only in the private sector. Finally, there are certain skills that are hard to grow or maintain in the full-time force, but may be ideally suited for part-time service in a RC, such as certain language skills and information technology specialties. The continuum of service can provide the opportunity for highly-trained professionals to serve part-time and provide a readily available pool of these highly-specialized individuals who would be available on an as-needed basis.

There are several areas in which we need your assistance to implement the continuum of service. They include providing more consistency in management and accounting of reservists serving on active duty, providing greater flexibility in using inactive duty for reach-back and virtual duty, allowing for an alternative military service obligation and streamlined basic training for certain individuals accessed into the force with unique civilian acquired skills, and providing the authority to establish auxiliaries for the Army, Navy, and Marine Corps, modeled after the very successful Coast Guard Auxiliary. These modest, but significant changes will help the DOD optimize the use of the force and facilitate volunteerism, thus reducing the need to involuntarily call-up Guard and Reserve members. Legislative proposals to effect these changes will be forwarded to Congress for your consideration.

Balancing Critical National Security Resources

To preclude conflicts between Ready Reserve members' military mobilization obligations and their civilian employment requirements during times of war or national emergency, the DOD conducts a continuous "screening" program to ensure the availability of Ready reservists for mobilization. Once a mobilization is declared—as occurred on September 14, 2001—all screening activities cease and all Ready Reserve members are considered immediately available for active duty service. At that time, no deferments, delays, or exemptions from mobilization are granted because of civilian employment.

However, due to the unique situation that was created by the events of September 11, 2001, the DOD immediately recognized that certain Federal and non-Federal civilian employees were critically needed in their civilian occupations in response to the terrorist attacks on the World Trade Center and Pentagon. Accordingly, the DOD established a special exemption process to help accomplish overall national security efforts. As of December 31, 2003, we have processed 263 requests from civilian employers to delay or exempt a reservist-employee from mobilization. We approved 98 requests for exemptions, 90 reservists were authorized a delay in reporting to give the employer time to accommodate the pending mobilization of the employee, and 75 requests were denied. We continue to receive exemption requests as additional reservists are identified for mobilization and process them as expeditiously as possible.

Employer Support of the Guard and Reserve

Employer support for employee participation in the National Guard and Reserve is absolutely critical to recruiting and retaining quality men and women into our Reserve Forces. Building employer support requires a strong network comprised of both military and civilian-employer leaders, capable of fostering communication, education and an exchange of information. Employers' understanding of their legal requirements concerning support for Guard and Reserve employees is imperative.

The National Committee for Employer Support of the Guard and Reserve (ESGR) is the DOD's primary office for outreach and education to employers. ESGR coordinates, trains, funds, and directs the efforts of a community-based national network of over 4,200 volunteers, organized into 55 committees located in every State, the District of Columbia, Guam, Puerto Rico, the Virgin Islands and in Europe. ESGR has developed and implemented new training programs for their volunteers, planned new industry symposia to bring together industry segments with military and DOD leaders, expanded their presence at industry conferences, and further developed and enhanced their partnerships with the National Chamber of Commerce, State and local Chambers of Commerce, and local and national human resource organizations.

Although we established a Guard and Reserve Employer Database in late 2001 in which reservists could voluntarily provide information about their civilian employers, we were having limited success in populating the database. However, information about the civilian employers of reservists is necessary for the DOD to meet its statutory responsibilities to consider . . . "civilian employment necessary to maintain national health, safety, or interest" (10 USC, Sec. 12302) . . . when determining members to be recalled, especially members with critical civilian skills and to inform employers of reservists concerning their rights and responsibilities under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Last year we began laying the groundwork for a mandatory reporting program. That effort will culminate with the rollout of a new Civilian Employment Information (CEI) program this spring. Under the CEI program, reservists will be required to provide information about their employers. We have been working closely with the Services and the RCs in the development of this program to ensure we protect the privacy of reservists with respect to the use of this information on their civilian employers. For example, we would not directly contact an employer about an individual reservist unless the reservist asked for our assistance with an employer issue. But we could work with an employer as part of our broader efforts to inform all employers about the Guard and Reserve.

Populating the Guard and Reserve Employer Data Base is critical in order to clearly focus employer outreach efforts. It will enable us to work closely with the civilian employers who are directly affected by the mobilization of reservists. The use of this program will also assist in other research projects we have undertaken to determine if and when significant problems with employers are emerging. Understanding the challenges civilian employers must address will help us identifying steps we can take that will be most beneficial to them—strengthening our employer support program and making service in the Guard and Reserve easier for our members.

The Value of the Reserve Components

The fiscal year 2005 Defense budget recognizes the essential role of the RCs in meeting the requirements of the National Military Strategy (NMS). It provides $31.3 billion for RC personnel, operations, maintenance, military construction, and procurement accounts, which is approximately 1 percent above the fiscal year 2003 appropriated level. This represents 8.3 percent of the overall DOD budget, providing a great return on the Nation's investment. Included are funding increases to support full-time and part-time personnel, and the required sustainment of operations. It also continues last year's effort toward RC equipment modernization and interoperability in support of the total force policy.

These funds support nearly 862,900 Selected Reserve personnel requested in the President's budget. The Selected Reserve consists of the following: Army National Guard 350,000; Army Reserve 205,000; Naval Reserve 86,000, Marine Corps Reserve 39,600, Air National Guard 106,700, and Air Force Reserve 75,600, Coast Guard Reserve 11,000 (funded by the Department of Homeland Security (DHS)). Our total Ready Reserve, which also includes the Coast Guard Reserve, Individual Ready Reserve (IRR), and Inactive National Guard is 1,188,074 personnel.

ENTITLEMENTS GROWTH

Military Compensation

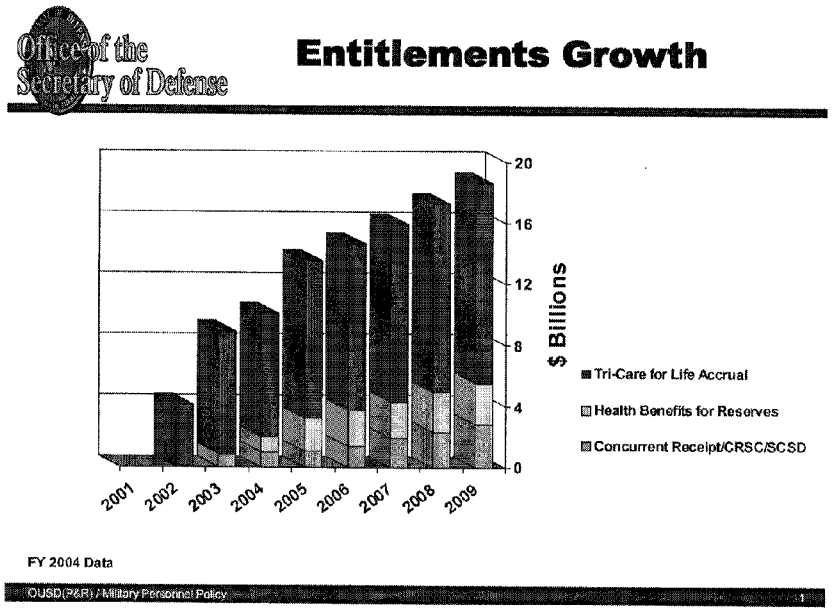
Sound compensation practices are essential to attracting and retaining the caliber of individuals needed for a robust All-Volunteer Force. With the support of Congress, we have made great progress over the last few years in improving our members' basic pay. Since fiscal year 2000, basic pay has increased 29 percent. Particularly noteworthy, mid-grade noncommissioned officers, who represent the core of experience and talent in our military services, have seen their pay increase an average of 35 percent.

Likewise, we applaud Congress' continued support for reducing military members' out-of-pocket housing costs, which stood at nearly 18 percent in fiscal year 2000. Through Basic Allowance for Housing (BAH) increases during each of the past few fiscal years, we will achieve our goal of totally eliminating average out-of-pocket housing costs with this year's President's budget.

To capitalize on our successes in recruiting and retention and sustain that momentum, we must continue to invest in items that leverage readiness. Authorities for flexible compensation tools enable the DOD to tailor incentives to respond to specific readiness demands and provide the capacity to efficiently start and stop them. For example, we are seeking an increase in the ceiling for Hardship Duty Pay, which will furnish the DOD with the ability to compensate appropriately members who are repeatedly deployed away from their families and placed in harm's way in support of contingency operations. Additionally, increased use of the recent Assignment Incentive Pay (AIP) authority will provide a viable means of incentivizing hard-to-fill duty stations, such as Korea and other remote locations, which directly impacts unit readiness in a positive way.

Conversely, we discourage the expansion of entitlements and the creation of new ones that do not leverage readiness. For example, TRICARE for non-active reservists and their families could have a long-term fixed cost of $1 billion annually with little payoff in readiness. The phase-in of concurrent receipt for retirees with at

least a 50-percent disability and expansion of the Combat-Related Special Compensation program, while not directly reflected in the DOD's budget, will cost $6.1 billion a year within 10 years ($4.1 billion from the DOD retirement fund and $1.5 billion from Veterans' Administration entitlements), funds that could potentially be applied to areas that better address national security needs. The chart below illustrates the growth in the cost of recent new entitlements since 2000, projected out to 2010.



This year, we understand Congress may be considering additional expansions of entitlements programs, such as lowering the age Reserve retirees receive their annuity from 60 to 55. Preliminary, rough estimates indicate that this could cost $6.6 billion in payments, nearly $4 billion in added health care costs, and $14 billion in Treasury outlays over the next 10 years. Yet, we have no evidence this would help shape the force or improve readiness; most reservists who would immediately benefit are already retired. Proposals to eliminate the reduction in survivor benefits that takes place at age 62, from 55 percent to 35 percent of military retired pay, when social security provides the difference, could cost $800 million the first year and exceed $1 billion per year within 5 years. A 5-year phase-in has been scored by Congressional Budget Office (CBO) to cost $7 billion over 10 years. The phase-in of concurrent receipt, if expanded to full concurrent receipt, would equal $8.4 billion a year within 10 years (almost 40 percent greater than the newly-passed benefits).

More long-term entitlements are not the answer to our readiness issues. We need flexible compensation and benefit authorities that can focus benefits to support members deployed to a theater of hostilities, as well as their families, and can be terminated when no longer necessary. We firmly believe authorities of the type that leverage readiness best serve the national defense.

Military Health System (MHS) Funding

Defense Health Program (DHP) costs continue to rise, reflecting increased utilization by beneficiaries returning to the MHS for their care. In 2003, the DHP experienced a 7 percent increase in new users; we anticipate that the growth rate in 2004 will also be 7 percent. These growth rates reflect healthcare increasing costs in the private sector and the consequent election of MHS-eligible beneficiaries to return to TRICARE. Activation of Reserve component members brings additional eligible beneficiaries to the MHS.

The DOD has initiated several management actions to use resources more effectively and thus help to control the increasing costs of healthcare delivery. The MHS

will implement performance-based budgeting that focuses on value rather than cost of healthcare. An integrated pharmacy benefits program including a uniform formulary based on relative clinical and cost effectiveness is being established. Federal pricing of pharmaceuticals in the TRICARE retail pharmacy program will be used to generate significant cost avoidance. Utilization management programs continue to ensure that all provided care is clinically necessary and appropriate.

We need your assistance by restoring the flexibility to manage DHP resources across budget activity groups. Our new healthcare contracts use best-practice principles to improve beneficiary satisfaction and control private sector costs. Our civilian partners must manage their enrollee healthcare and can control their costs by referring more care to our military treatment facilities (MTFs), or our direct care system. In concert with the new contracts, we will implement a Prospective Payment System to create the financial incentive for our MTFs to increase productivity and reduce overall costs to the DOD; funds will flow back and forth from the MTFs to the private sector. Currently, MTFs' revised financing funds are in the private sector budget activity group. Fencing DHP funds not only prevents transfer of funds from MTFs to the private sector, but also prevents transfer of private sector funds to the MTFs. Fencing DHP funds does not allow MTFs to use these revised financing funds to increase their productivity and workload without prior approval reprogramming. We understand and appreciate that the congressional intent was to protect direct care funding; however, fencing the DHP funds will adversely affect both the MTFs and care in the private sector. We urge you to allow the MTFs and the MHS to manage the DHP as an integrated system. Funds must be allowed to flow on a timely basis to where care is delivered. Reprogramming is a 3 to 6 month process.

Reserve Health Benefits

In addition to the enhanced benefits the DOD offered to activated RC members and their families during 2003, the fiscal year 2004 DOD Supplemental Appropriations Act included even more new benefits. The new temporary Reserve Health program offers us the ability to assess its benefits after the trial period is over. We will look to see if they adequately enhanced access to care for our RC members and their families and improves our readiness as a fighting force. Assuring the medical readiness of reservists when they are called to active duty registers as one of our highest priorities. Plus, providing excellent benefits to the families of activated reservists and supporting them in the transition to and from active duty are vitally important responsibilities. Looking to the future, we need to proceed cautiously in considering costly new entitlements for reservists who have not been activated. A key issue would be the effect of a new entitlement on recruitment and retention of both Reserve and active duty component members.

IMPROVING MILITARY PERSONNEL MANAGEMENT

Recruiting

The success of our All-Volunteer Force starts with recruiting. During fiscal year 2003, the military services recruited 178,350 first-term enlistees and an additional 6,528 individuals with previous military service into their active duty components, for a total of 184,878 active duty recruits, attaining over 100 percent of the DOD goal of 184,366 accessions.

The quality of new active duty recruits remained high in fiscal year 2003. DOD-wide, 95 percent of new active duty recruits were high school diploma graduates (against a goal of 90 percent) and 72 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent).

In the RCs, during fiscal year 2003, the military services recruited 259,290 first-term enlistees and an additional 84,312 individuals with previous military service for a total of 343,602 recruits, attaining 104 percent of the DOD goal of 331,622 accessions. All AC and RC, except the Army National Guard, achieved their accession goals.

We are closely monitoring the effects of mobilization on recruiting and retention, especially for the RCs. The Reserve end strength objective for fiscal year 2003 was achieved. Despite a recruiting shortfall, the Army National Guard did achieve its end strength, thanks to low attrition. The recruiting picture for the Army National Guard is much better through the first quarter of fiscal year 2004—achieving 102 percent of mission thus far.

We are optimistic that all Services will achieve their active duty recruiting goals this fiscal year. All Services entered fiscal year 2004 with a sizable delayed entry program, and all Services are ahead of their year-to-date goals for active duty recruiting. Unlike the AC, the RCs do not routinely contract recruits for accession into

a future period. So, while the ACs entered fiscal year 2003 with healthy delayed entry programs, the RCs must recruit their entire goal in this current fiscal year.

The trend of an increasing percentage of RC recruits without prior military service continues. Approximately 50 percent are now expected to come directly from civilian life. This is a result of high AC retention contributing to lower IRR populations.

For 2004, all RCs are continuing to focus their efforts on maintaining aggressive enlistment programs by using both enlistment and re-enlistment incentives in critical skill areas. Emphasis will be placed on the prior service market for both officers and enlisted personnel. The RCs will expand their efforts to contact personnel who are planning to separate from the active component long before their scheduled separation and educate them on the opportunities available in the Guard and Reserve. In addition, the RCs will increase their efforts to manage departures. All RCs are achieving success in retention, with year-to-date attrition well below previous years.

The Services accessed 17,909 commissioned officers to active duty in fiscal year 2003. The Marine Corps met its numerical commissioning requirement, with the Army and Navy finishing the year within 1.5 percent of their requirement. The Air Force finished with a shortfall of 4 percent, almost exclusively in medical specialty direct appointments. In fiscal year 2004, active duty officer accessions are on track in all Services for numerical success this year. In fiscal year 2003, the RCs reduced the shortfall of junior grade officers by adding an additional 1,455 officers to the force.

Retention

In fiscal year 2003, retention was good. Services met virtually all of their retention goals. The Marine Corps barely missed its goal for retaining first-term personnel and the Air Force fell slightly short of its goal for retaining individuals in their second term of service. Despite extended deployments, long separations, and dangers of combat, soldiers are staying with the Army. This year's fiscal year outlook remains optimistic as evidenced by our first quarter achievements.

Active Duty Enlisted Retention, 1QTR Fiscal Year 2004	Reenlisted	1st QTR Goal	Percent of Goal	Fiscal Year 2004 Goal	Fiscal Year 2005 Goal
Army					
- Initial	6,121	6,141	99.7 percent	23,000	19,949
- Mid Career	5,046	5,276	95.6 percent	20,292	23,528
- Career	3,411	3,330	102.4 percent	12,808	11,881
Navy					
- Zone A	63.1 percent	56 percent	Exceeded	56 percent	Not available
- Zone B	76.3 percent	70 percent	Exceeded	70 percent	Not available
- Zone C	88.5 percent	85 percent	Exceeded	85 percent	Not available
Air Force					
- 1st Term	67 percent	55 percent	Exceeded	55 percent	55 percent
- 2nd Term	75.5 percent	75 percent	Exceeded	75 percent	75 percent
- Career	97.5 percent	95 percent	Exceeded	95 percent	95 percent
Marine Corps					
- 1st term	4,351	3,813	114 percent	5,958	5,850
- Subsequent	2,299	1,407	164 percent	5,628	5,900

The Services are adequately resourced to meet their retention goals provided the tempo and economic conditions remain at the same level as the last fiscal year. We will be monitoring retention carefully should the tempo increase further, or if economic developments require us to consider implementing additional incentives.

Joint Officer Management (JOM)

The mission requirements of the military are more focused on joint tasks; in fact, Joint Task Forces now define the way in which we array our forces for war and that has filtered down into our training methods. Military organizational structures have evolved to meet these new joint warfighting requirements. The DOD's management processes for joint duty assignments, education and training are governed by the 1986 Goldwater-Nichols Act.

Although we have experienced profound success, the operating environment we face has changed since the early days of the Goldwater Nichols Act. In response, the DOD is refining our strategic plan for joint officer management, education and training, and is using the ongoing, congressionally-mandated, Independent Study of Joint Management and Education to help evaluate and validate how we best meet the challenges of the early 21st century.

We look forward to working with Congress in strengthening joint management and training. As a modest start, we are proposing several administrative reforms to simplify and streamline processes and program requirements: modifying the definition of a "tour of duty" to count multiple consecutive joint tours as one continuous tour; modifying annual reporting requirements by adding more meaningful metrics for measuring joint compliance; allowing the accomplishment of Phase II Joint Professional Military Education (JPME) in less than 3 months; and making permanent the joint promotions policy objective for the "other joint" category, which includes Joint Staff Officers (JSOs), to greater than or equal to the Service board average.

The DOD is assessing the entire career continuum of officer education and training, including joint requirements, with the goal of reducing the amount of in-residence time required, maximizing viable advanced distributed learning (ADL) opportunities, and integrating joint requirements. We want to train and develop our leaders like we fight—in a joint environment, and we are moving quickly to match policy to today's operational environment. We seek Congress' assistance in making these changes in law that might be necessary to support those common objectives.

Building a Foreign Language Capability

Lessons from current operations and the global war on terrorism have demonstrated the need for increased language ability and accompanying area knowledge within our Armed Forces, and an increased emphasis on languages reflective of the post-Cold War threat.

We need to change the way foreign language expertise is valued, developed and employed within the DOD, and language needs to be viewed as a military readiness capability. For present and future operations, we need members of the Armed Forces who can understand and communicate in languages other than English. This includes service members with language ability more sophisticated than that routinely achieved through our current language training and public and private education systems. We need a way to equip deploying forces with a sufficient ability to communicate in the language of the land. We also need a plan for surging capability beyond that of the military forces, when required. We need service members and leaders who understand the complexities of languages and cultures in a global society.

Much work needs to be done in this area, and we have engaged a number of studies to inform our decisions. We have already initiated the development and employment of crash courses for troops deploying to Iraq. The Army is executing a pilot IRR program that targets the enlistment of Arabic speakers for support as linguists.

With over 1,300 faculty and 3,800 students, the Defense Foreign Language Institute's Foreign Language Center (DLIFLC) is the world's largest foreign language school—and our primary source of language instruction. An oft-quoted statistic is that DLIFLC has more faculty teaching DOD's five highest enrollment languages than all U.S. students graduating in those languages nationwide. It is an institution whose product—a language qualified graduate—is critical to global U.S. military operations. Our first area of emphasis is to ensure that this school house can support our language capability requirements.

Our fiscal year 2005 goal is to ensure the center can meet critical requirements by teaching basic language to troops prior to deployment, to improving training development, and to improving the capability to produce linguists with an advanced degree of language competence.

Rest and Recuperation (R&R) Leave

Over 46,000 service members and DOD civilians have participated in the R&R Leave Program in support of OIF and OEF. The R&R Leave Program is vital to maintaining combat readiness when units are deployed and engaged in intense operations. Feedback from Service members participating in the R&R Leave Program indicates it is a successful program offering service members a respite from hostile conditions, an opportunity to leave the area of responsibility (AOR), release stress, spend time with their family/friends and return reenergized. R&R Leave will continue to be offered to military members and DOD civilians deployed in Central Command (CENTCOM) AOR in support of the global war on terror at the discretion of the theater commander.

Citizenship

The DOD is working closely with the DHS's Citizenship and Immigration Service (CIS) to expedite citizenship applications for immigrants who serve honorably as members of our Armed Forces. Approximately 37,000 active duty and Reserve personnel are non-U.S. citizens and approximately 7,000 of these personnel have applied for U.S. citizenship. The CIS established a special office in their Nebraska Processing Center to expedite military member citizenship applications. Section 329

of 8 USC provided an exception where the President can authorize immigrants serving in the U.S. Armed Forces during times of conflict to apply for citizenship after 3 years of honorable service. Public Law 108–87 reduced this waiting period to 1 year. The average time for processing expedited citizenship applications has been reduced from 9 months to approximately 90 days. The military services are informing non-U.S. citizen military members of the opportunity for expedited citizenship through radio and television, press releases and periodic messages through command, personnel, legal and public affairs channels. However, finalizing citizenship requirements for military members overseas has been problematic. We are working with the CIS to expand authority for conducting naturalization interviews and swearing-in ceremonies overseas. In the meantime, the DOD authorizes emergency leave for service members who need to complete citizenship processing, and seeks to identify members with pending citizenship applications in order to ensure they are processed and finalized before they deploy.

Training Transformation

Our ability to successfully defend our Nation's interests relies heavily upon a military capable of adapting to rapidly changing situations, ill-defined threats, and a growing need to operate across a broad spectrum of evolving and emerging missions, including joint urban operations, joint information operations, stability and support operations, and asymmetric warfare. The Services have been highly successful for many years by possessing a training superiority over all real and potential adversaries. We intend to maintain that critical edge in the future by continuing to move our training methods and capabilities beyond those of the Cold War, and to integrate them into a single, focused capability.

Transformed training is a key enabler to transforming this fighting force—and the Training Transformation (T2) Initiative is vital to the DOD's transformation efforts. I am pleased to report that since my last testimony to you, the DOD, with your assistance, has made significant progress in transforming DOD training to improve joint operations. We have developed and implemented three supporting joint capabilities. Collectively, these capabilities, when mature, will provide a robust, networked, live, virtual, and constructive training and mission rehearsal environment that enables DOD to build unparalleled military capabilities that are knowledge-superior and adaptable. First, the Joint Knowledge Development and Distribution Capability (JKDDC) is working to prepare individuals by developing and distributing joint knowledge via a dynamic, global-knowledge network that provides immediate access to joint education and training resources. Second, the Joint National Training Capability (JNTC) is preparing forces by providing command staffs and units with an integrated live, virtual, and constructive training environment with joint global training and mission rehearsal in support of specific operational needs. This January, we completed our initial JNTC event at the Western Range Complex. It has been deemed a very successful first step with great leadership and support from the Services and Joint Forces Command. Three additional events will be conducted through the remainder of fiscal year 2004. Lastly, the Joint Assessment and Enabling Capability will develop and three levels of strategic performance assessment to determine: the training value provided by JNTC and JKDDC with regard to combatant commander needs; how well training transformation is integrated with DOD-wide policies, procedures, and information systems; and to what degree are the outcomes of training transformation aligned with the DOD's strategic transformation goals.

It is not easy to plan and execute complex joint combat operations when the Services have not fully trained in accomplishing those tasks. Consequently, during the January JNTC event, our forces honed their warfighting skills in joint close air support and other challenging joint tactical tasks that were used on the battlefields of Afghanistan and Iraq. Admiral Edmund G. Giambastiani, Commander, U.S. Joint Forces Command, said it best when he reflected on the importance of JNTC—"What the joint community has been able to do with the JNTC is begin the second wave of training transformation—where we can now link the service training ranges with forces around the country—and in time, around the world—to a common joint environment at the operational level. In a sense, this new training transformation is producing 'Born Joint Training' that seamlessly brings together a combination of live, virtual, and constructive capabilities to create a common joint training environment. An important aspect of the JNTC is that it also avoids any additive requirements to Service training. . . ."

We are committed to meeting joint mission requirements of our regional combatant commanders and must ensure that headquarters and component staffs deploying to a combatant command are fully trained to joint standards and in the concepts

of network-centric warfare prior to their deployment. Our focus is to prepare for joint operations so that we never conduct an operation for the first time in combat.

Range Sustainment

Continued and assured access to high-quality test and training ranges plays a critically important role in sustaining force readiness levels. The DOD has increasingly come to recognize that encroachment issues may limit the military's ability to train as they expect to fight. Urban sprawl, loss of frequency spectrum, restrictions on air space, and endangered species—related restrictions on training lands may cause some restrictions on training. Such constraints force the Services to alter or compromise training regimens. Over the past several years, we have discussed these problems with Congress, and we appreciate your concern and assistance in achieving meaningful solutions. We will continue to work closely with you as we grapple with how best to sustain our training capabilities at the same time we seek to transform our Armed Forces.

The DOD Range Sustainment Initiative is pursuing a comprehensive solution to encroachment pressures on test and training ranges. The initiative addresses policy, organization and leadership, programming, outreach, and legislative clarification. In addition, the DOD has initiated a significant compatible land use and buffer zone planning effort intended to mitigate further range encroachment based on authorities provided to the DOD in the National Defense Authorization Act for Fiscal Year 2003.

Sexual Assault

Sexual assault will not be tolerated in the DOD—that message is clear throughout the chain of command. It is a crime that is punishable under the Uniform Code of Military Justice (UCMJ). Commanders at every level have a duty to take appropriate steps to prevent it, to protect victims, and hold those who commit such offenses accountable.

Each of the Services has sexual assault policies for the health care support of victims. This support is available to service members both in the United States, at overseas duty stations, and in the current deployment theater.

Last summer the Fowler Panel, an independent panel, investigated allegations of sexual misconduct at the Air Force Academy (AFA). Their report made recommendations with a single priority in mind: the safety and well-being of the women at the AFA. Air Force senior leaders are implementing those recommendations now. In addition, the Defense Task Force on Sexual Harassment and Military Service Academies will assess and make recommendations, including any recommended changes in law, relating to sexual harassment and violence at the United States Military and Naval Academies.

However, prevention through education, review and reinforcement of what constitutes sexual assault and related crimes, and their consequences is key. Development and sustainment of working environments that instill trust among all members must begin at the lowest level of leadership and continue to the top of the DOD. My Deputy Assistant Secretary of Defense for Force Health Protection and Readiness, Ellen Embrey, now leads a Secretary of Defense-appointed task force to ensure proper command climate and infrastructure support is in place to safeguard the victims of sexual assault.

Domestic Violence/Victims Advocacy

As with sexual assault, domestic violence will not be tolerated in the DOD. It is an offense against our institutional values and commanders at every level have a duty to take appropriate steps to prevent it, protect victims, and hold those who commit them accountable.

The DOD continues to make significant progress in addressing the issue of domestic violence within military families. We remain committed to implementing the recommendations made by the Defense Task Force on Domestic Violence and have made major strides toward that goal. Our efforts encompass a range of activities including legislative and policy change, training for key players in our efforts to prevent and effectively respond to domestic violence, and collaboration with civilian organizations.

We worked closely with Congress last spring and summer to create or change legislation pertaining to transitional compensation for victims of abuse, shipment of household goods for abused family members, and a fatality review in each fatality known or suspected to have resulted from domestic violence or child abuse. These changes are reflected in the National Defense Authorization Act for Fiscal Year 2004.

The DOD has partnered with the Office on Violence Against Women of the Department of Justice (DOJ) for several joint initiatives that include training for law

enforcement personnel, victim advocates, chaplains, and fatality review team members. As a part of our collaboration with the DOJ, we are conducting demonstration projects in two communities near large military installations. The goal of the projects is to develop a coordinated community response to domestic violence focusing on enhancing victim services and developing special law enforcement and prosecution units. We know that military and civilian collaboration is critical to an effective response to domestic violence since the majority of military members and their families live off the installations.

The DOD partnered with the Battered Women's Justice Project and the National Domestic Violence Hotline to conduct training for the hotline staff to provide information about the military to enhance hotline staffs' ability to assist military related victims who contact the hotline. We are also working with the Family Violence Prevention Fund to develop a comprehensive domestic violence public awareness campaign that will be disseminated throughout the DOD.

We have initiated implementation of 45 of the nearly 200 task force recommendations, focusing on recommendations pertaining to victim safety and advocacy, command education, and training key players who prevent and respond to domestic violence such as law enforcement personnel, health care personnel, victim advocates, and chaplains.

We are pleased with the progress we have made but realize there is more work to be done. We are working to ensure that the policies we implement are viable across all Services both in the continental United States and overseas, and minimize the possibility of unintended consequences that compromise the safety of domestic violence victims and their children. We collaborate closely with those who will be responsible for implementing the policies we write to maximize their effectiveness across the DOD.

IMPROVING DOD HEALTHCARE MANAGEMENT

The DOD–Department of Veterans' Affairs (VA) Partnership

We have successfully shared healthcare resources with the Department of Veterans' Affairs (VA) for 20 years, but many opportunities remain. In the past year, we introduced a common national billing rate for our sharing agreements, greatly simplifying administrative issues and paving the way for increased agreements at the local level.

In 2003, the President's Task Force to Improve Health Care Delivery for our Nation's Veterans outlined a broad and substantive agenda to foster even greater collaboration in the coming years. We have taken action on a number of the recommendations already. We initiated a joint strategic planning process, began the process of electronically sharing medical information, identified additional joint contracting opportunities, included the VA as network providers in all of our TRICARE contracts, and other activities to promote access to quality, affordable care for veterans and retirees. In the coming years, greater collaboration on our capital planning and facility life-cycle management efforts will benefit all of our beneficiaries and the American taxpayer.

TRICARE—The Military Health Plan

We have initiated a wholesale redesign of how we will organize, manage and motivate our health delivery system in service to our beneficiaries. In August 2003 we awarded new TRICARE contracts—one major piece of our TRICARE redesign.

Contracts

The first step in redesign of TRICARE was to simplify. We reduced the number of TRICARE regions from 11 to 3. We reduced the number of contracts from seven to three; and the three TRICARE regions match the geographic span of the three TRICARE contracts. With these new contracts, beneficiaries will realize easier access to care, better customer service, and enhanced quality of care. The current and future contractors have committed to smoothly transition every aspect of their responsibilities while maintaining the highest standards of care and service. Throughout the transition, we have promised to keep beneficiaries well informed.

We have "carved out" some major elements of the old TRICARE contracts into separate and discrete contracts. These new contracts will leverage the expertise resident in companies whose core competency is pharmacy management or claims processing or marketing. With this carve out, we have established an integrated pharmacy benefits program that includes a uniform formulary based on relative clinical and cost effectiveness. The national retail pharmacy contract provides for use of Federal pricing of pharmaceuticals and will allow better management while improving beneficiary satisfaction by making it easier to obtain prescriptions while traveling.

Governance

The new organizational structure of TRICARE will transform and streamline healthcare management to enhance efficiency, productivity and customer service in support of our commitment to the best healthcare possible for all entrusted to our care. The restructuring will strengthen the delivery system through partnering of our MHS personnel and our purchased care contractors. TRICARE Regional Directors will integrate military treatment facilities with civilian networks, ensure support to local commanders, and oversee performance in the region.

We enlarged the role and responsibilities of medical commanders in their local health care markets—the focus for accountability. Commanders will better manage services and support to their patients—activities previously managed by the TRICARE contractor—including patient appointing, utilization management, the use of civilian providers in military hospitals and clinics (i.e., resource sharing providers), and other local services.

The central management effort in TRICARE will be to establish and then manage toward objectives set in annual business plans; plans developed locally and then built into Service and regional plans. The new regional directors have a key role in gaining participation of providers in TRICARE and in implementing the plan to improve TRICARE Standard. This health delivery option has served beneficiaries for over 35 years and we have underway efforts to improve it for those who choose use it. Gaining beneficiary support and satisfying their healthcare needs serve as the objectives for which the TRICARE contracts and organization are designed.

Force Health Protection

The DOD Force Health Protection program is comprised of a broad constellation of activities designed to preserve and protect the health and fitness of our service members from entrance into the military until separation or retirement. Preventive measures, environmental surveillance, and advances in military medicine have supported our worldwide operations with remarkable results. Despite deployments to some of the most austere environments in the world, we have seen the lowest rates of non-battle illnesses and injuries in the history of warfare. This is the result of increased focus, resources, line commitment, and service member education.

Health assessments

We ensure a healthy force through high medical standards at the time of accession, periodic medical and dental examinations, routine and special-purpose immunizations, and ready access to high quality healthcare. Learning from the Gulf War, prior to and following deployment, service members now receive health assessments to ensure they are fit for deployment and to identify any health issues once they return from deployment. Deployment health records are maintained in the individual's permanent health record and an electronic copy of the post-deployment health assessment is archived for easy retrieval and research. We have begun an aggressive quality assurance program to monitor the conduct of these assessments.

Immunization programs

Protecting our forces involves countering potential health threats. Among the numerous preventive health measures in place for our service members today, we have vital immunization programs. These programs offer protection from diseases endemic to certain areas of the world and from diseases used as weapons, specifically anthrax and smallpox. These vaccines are highly effective and we have based our programs on sound scientific information that independent experts have verified. They are essential to keep our service members healthy.

Medical Technology on the Battlefield

Last year we introduced elements of the Theater Medical Information Program (TMIP) and Joint Medical Work Station to OIF. These capabilities provide a means for medical units to electronically capture and disseminate near real-time information to commanders. Information provided includes in-theater medical data, environmental hazards, detected exposures and critical logistics data such as blood supply, beds and equipment availability. New medical devices introduced to OIF provided field medics with blood-clotting capability while light, modular diagnostic equipment improved the mobility of our medical forces, and protective gear served to prevent injuries and save lives.

Medical hold

One consequence of the pre- and post-deployment health assessments is the identification of more service members as medically unqualified for deployment and even for military service. This has generated additional Medical Evaluation Board processing than previously experienced; it has contributed to the large numbers of serv-

ice members awaiting healthcare and specialty consultations. Another contributing factor to the "medical hold" issue is the number of RC personnel activated who are determined to be medically unqualified for deployment. The Army has taken a series of actions to alleviate the problem, and has significantly reduced the numbers of individuals in this category. We are committed to deploying healthy and fit service members and to providing consistent, careful post-deployment health evaluations with appropriate, expeditious follow-up care when needed.

Individual medical readiness

Among the many performance measures tracked within the MHS is the readiness health status of individual members, both active and Reserve components. Determining individual fitness for deployment and for continued service is an important determination. For the first time, the MHS will track individual dental health, immunizations, required laboratory tests, deployment-limiting conditions, Service-specific health assessments and availability of required individual medical equipment. This tracking should assist in alleviating the RC medical holdover issues in the future.

Transition to VA

After service members return from deployments, healthcare is available through military and VA providers. While our collaborative efforts with the DVA span the entire MHS, there is no greater imperative than to ensure we successfully manage the transition of service members from active to veteran status. A significant advance was made with the establishment of the Federal Health Information Exchange, allowing for the electronic transfer of essential medical information. Improved communication and education for service members as well as enhanced case management for patients have improved the transition to veteran status.

Readiness Assessment and Reporting

We are dramatically improving the way we measure the readiness of our military units and support structure-finally answering the elusive "ready for what" question. Our new Defense Readiness Reporting System (DRRS) provides a near real time assessment of military capabilities, and uses this information to improve the way we plan and manage our forces. Our partnerships with United States Pacific Command (PACOM) and the Navy have produced working, scalable versions of measurement and assessment tools over the past year. PACOM designed the Joint Military Assessment Tool to allow organizations from the combatant commander-level down to tactical units to assess their ability to perform assigned missions. Navy's DRRS-Navy expanded PACOM's effort by including nearly all operational naval units and creating the ability to view related, output-focused metrics. Over the course of the year, we will continue expanding our scope to include key Army units and introduce initial scenario assessment tools into the DRRS suite. We expect to have an initial operational capability for DRRS by September (2004), with a phased implementation throughout DOD over the next 3 years (2007).

RECRUITING AND RETENTION OF CIVILIANS

I want to take this occasion to again thank the committee and Congress for enacting the NSPS in the National Defense Authorization Act for Fiscal Year 2004. In developing NSPS, our pledge to you and our workforce is this: our civilian employees deserve a flexible personnel management system, and we will make sure it's fair.

The purpose of NSPS is to strengthen the ability of commanders and employees to meet their mission requirements in an ever-changing national security environment. A commander has three personnel cadres with which to perform the mission: military, civilian, and contract. The opportunity for the civilian employee and commander to respond rapidly to changing requirements is seriously compromised by a rigid and fragmented system of civilian personnel management. Additionally, motivation is key to employees performing well on the job and we must change the recognition system to respond to employee concerns that good work is not recognized as it should be. A rigid, slow system of personnel management does not motivate our employees to do their best. Installation commanders have to meet a number of mission objectives and these objectives are constantly changing. NSPS will allow us to develop a more rational personnel management system, provide employees new opportunities, and give commanders and managers more flexibility to accomplish the mission.

In a government-wide survey, DOD employees made it clear that the current personnel system is not working even though they like their work, believe they do it well, and have a good work-life balance. However, only 47 percent said they are sat-

isfied with the recognition they receive for doing a good job, only 40 percent said that creativity and innovation are rewarded, only 32 percent said that the awards programs provide an incentive to do their best, only 31 percent said they are satisfied with the opportunity to get a better job in the organization, and only 26 percent said that steps are taken to deal with poor performers. We can and should do better than that; NSPS gives us that opportunity.

How are we doing in implementing NSPS? We begin with the following tenets:

- We recognize that a new system that is both fair and perceived to be fair is essential to the accomplishment of our mission.
- We recognize that serious collaboration with stakeholders and continuous communication with employees is critical to making the new system work.
- We recognize, as the law prescribes, that NSPS must preserve basic employee protections, including merit principles, veterans' preference, anti-discrimination rules, due process, prohibited personnel practices, and the right to join unions and bargain.

We are committed to implementing NSPS fairly and responsibly. We have established a cross-component program management office to guide implementation. In January, we met with union representatives to begin the development of a new system of labor-management relations. In February, we provided the unions, upon their request, a concept paper to begin the dialogue and collaborative process. Last week, we met with the unions to discuss these concepts and afford the unions an opportunity to provide their concepts. We are close to identifying those organizations that will initially participate in NSPS. By the end of this calendar year, we plan to begin implementing NSPS within the DOD following an intensive training program for supervisors, managers, human resources specialists, employees, as well as commanders and senior management.

TAKING CARE OF FAMILIES

Military families are a top priority for the DOD, especially those impacted by deployment. The DOD is sensitive to the hardships and challenges faced by military families when the service member is away from home for a long period. Service members perform tough duty in austere locations, while their families deal with the stress and anxiety associated with extended separations. Current deployments necessitate robust support. The military family is an integral component of the military community and an essential ingredient in military strategy and planning.

America wants to support its troops and families. Service members and families have been almost overwhelmed with the outpouring of support. Donations, such as frequent flier miles to help with family reunions, special televised tributes, celebrity entertainment, and corporate contributions from firms like Home Depot are but a few of the ways America has shown support for its troops. This support has been key to their continuing good morale.

Each of the Services has built a highly-responsive family support system that incorporates the best resources available to help families cope with the demands of military life. Reserve families who live across America present a particular challenge. An aggressive effort to reach Reserve families is under way.

Since October 2002, a joint family readiness working group has been meeting to share strategies, identify gaps in service and review lessons learned. This group has promoted the sharing of best practices and pushed to increase mutual support across Service and component boundaries. Consequently, we have seen an increase of shared support and practices carry down to the lower unit level. The working group approach has worked well in facilitating family readiness and creating a mutually supportive network focused on the total force.

Joint collaboration has contributed to widespread increases in support to vital family readiness and support programs to help support Guard and Reserve families, including the establishment of approximately 400 National Guard family assistance centers to augment the family support system and Reserve and Guard component inclusion in the popular Military OneSource program, which provides 24/7 individual and family support. The National Guard has taken the lead for supporting families that are geographically isolated from military installations, working through 54 state and territory offices to provide family support and training. Unit Family Readiness Groups, staffed by volunteers, actively maintain communication with families in outlying areas through newsletters, Web sites, and direct communication to enhance unit-to-family communication.

Family Assistance Centers

Family assistance centers have increased operations to unprecedented levels to meet family needs. These centers serve as the primary delivery system for military

family support programs, including deployment support, return and reunion, and repatriation for active duty, Guard and Reserve members and their families. Family support programs assist unit commanders, service members, and families affected by deployment and mobilization and directly contribute to mission readiness.

Specifically for Reserve families, there has been a tremendous improvement in Reserve family access to resources since the 1991 Gulf War. Today, families have multiple sources that may support them while their Service member is deployed, and the Services continue to improve programs and expand outreach in order to make access to support systems even better. Thanks to the National Guard Bureau, over 400 family assistance centers have been brought online to meet the unique needs of our families. These joint centers provide an outreach capability not only to Guard and Reserve families that are not located near an installation, but they also support the large number of active service and family members who reside off the installation. Civilian community support services available to families range from help with household repairs to financial planning, childcare, legal services, family counseling, and free or discounted services. The DOD has also partnered with USA Freedom Corps to facilitate volunteer efforts to aid and assist military families through the Freedom Corps Web site and volunteer network. Other partnerships have been established with public schools to develop support programs and teacher training materials to meet the unique needs of our military children.

We published a "Guide to Reserve Family Member Benefits," which is designed to inform family members about military benefits and entitlements, including medical and dental care, commissary and exchange privileges, military pay and allowances, and reemployment rights of the service member. The benefits guide is also available on the DefenseLink Web site.

We developed a family readiness "tool kit" that contains a wealth of information to assist commanders, service members, family members and family program managers with information to help Reserve families, and Guard and Reserve members, prepare for mobilization and deployments.

Military OneSource

"Military OneSource" provides a customized approach to individual information and referral services for military families. It is available 24 hours a day, 7 days a week, 365 days of the year, from any place, any time, tailoring services specifically to individuals and individual families. "Military OneSource" is an augmentation, not a replacement, for the family centers that are cherished, and it brings services to all members of the Armed Forces. This includes Reserve and National Guard members and families who do not live on military installations, and often can't take advantage of what DOD has to offer. This service provides all of our service members and families with immediate information concerning support available on the installation or in their community. We have budgeted $20 million in 2005 to sustain "Military OneSource." The toll-free telephone, e-mail and Web site, all include information and referrals on parenting and child care, education, deployment and reunion, military life, health, financial, relocation, everyday issues (i.e. pet care, plumber), work and career, to name a few. Each of the military services will have fully implemented the service by the end of fiscal year 2004. Marine Corps was first to stand-up the program and is enjoying positive feedback and results.

Additionally, we are building upon this outreach by implementing a program of prepaid face-to-face counseling for a specified number of sessions. Families who contact the toll-free number but need face-to-face assistance can schedule counseling from a licensed counselor within their immediate geographic area in the continental United States (CONUS). This is particularly important for remote families of mobilized Guard and Reserve units who may also have a deployed service member and may live a great distance from the programs provided on installations.

Child and Youth Development Programs

Military child development continues to be important to families and remains a top priority for the DOD. During OEF and OIF, child care presented a major challenge for the families of deployed troops. To support families during deployment, $8 million of emergency supplemental funding was used in 2003 to provide over 412,000 hours of additional child care programs to meet specific mission requirements. Installations provided child care for extended hours on nights and weekends; added drop-in, respite, and mildly ill care; and extended services to the Guard and Reserve. For 2004, $13.5 million of emergency supplemental funding is designated to continue these vital efforts and to explore new ways to expand child care availability in the civilian community.

In 2003, the DOD invested approximately $400 million to provide over 174,000 child care spaces and is making progress to expand the number of available spaces

(in 2003, almost 2,000 spaces, primarily through growth in the family child care program). RAND is in the process of reviewing the child care need formula. The DOD has initiated a Business Initiative Council (BIC) effort that will focus on increasing child care spaces in civilian communities through subsidies and partnerships. It is anticipated that sustaining on-base programs while maximizing resources in the civilian community will close the child care gap more quickly than an approach based primarily on construction. The DOD's budget of over $400 million in fiscal year 2004 and fiscal year 2005 reflects a continued commitment to provide child care for military families.

Because deployment of a family member can adversely affect a child's behavior both academically and socially, the DOD has developed several avenues to support children of military families, their parents and the teachers that educate military children. Skilled educators, counselors and mental health workers associated with the public schools attended by military children generally are often unaware of the lifestyle, issues and challenges of the military child. With a focus on the children of deployed personnel, the DOD reached out to public school districts to alert them to and engage them in addressing the unique needs children from families in which at least one parent was deployed. Efforts included the development of booklets, posted on a new Web site, for use by educators and parents. Also posted on the Internet were best practices used by exemplary schools.

DOD has worked with renowned experts, such as Ms. Marleen Wong, a national expert on terrorism, trauma and children, regarding publications, Web site information and program development for students of deployed families, their parents and teachers. Ms. Wong's contributions to the DOD Educator's Guide to the Military Child During Deployment; Educator's Guide to the Military Child During Post-Deployment: Challenges of Family Reunion and Readjustment; and Parent's Guide to the Military Child During Deployment and Reunion have provided support through information for our military families and educators. Dr. Robin Goodman, a director and psychiatrist at the Child Study Center, New York University School of Medicine, has also contributed her book, Caring for Kids After Trauma and Death: A Guide for Parents and Professions for the benefit of all who serve our children. All publications are on a special Web site designed to meet the needs of children of deployed parents, www.MilitaryStudent.org.

Department of Defense Education Activity (DODEA)

The DODEA has been an active partner in supporting students and families during the war. All schools within DODEA have Crisis Management Teams to assist students and teachers during stressful times. Working in collaboration with military and civilian communities, they provide support before, during and after each deployment.

The DOD has a school system to be proud of, and we continue to address quality issues in the areas of curriculum, staffing, facilites, safety, security and technology. Our dependent schools comprise two educational systems providing quality pre-kindergarten through 12th grade programs: the DOD Domestic Dependent Elementary and Secondary Schools (DDESS) for dependents in locations within the United States and its territories, possessions, and commonwealths, and the DOD Dependents Schools (DODDS) for dependents residing overseas. Today, approximately 8,800 teachers and other instructional personnel serve more than 101,000 students in 223 schools. They are located in 13 foreign countries, 7 states, Guam, and Puerto Rico. Students include both military and civilian Federal employee dependents.

The quality of DOD schools is measured in many ways, but most importantly, as in other school systems, by student performance. DOD students regularly score substantially above the national average in every subject area at every grade level on a nationally standardized test.

In addition, students participate in the National Assessment of Educational Progress (NAEP) tests. NAEP is known as "the Nation's Report Card" because it is the only instrument that permits a direct comparison of student performance between states and jurisdictions across the country. DODEA students, and in particular its African-American and Hispanic students, score exceptionally well on this test, often achieving a first or second place national rank when compared with their peers.

DODEA's 2003 graduates were awarded nearly $33.5 million in scholarship and grant monies for further education. Graduates in 2003 reported plans to attend over 800 different colleges and universities worldwide.

To meet the challenge of the increasing competition for teachers, DOD has an aggressive U.S. recruitment program. The program emphasizes diversity and quality, and focuses on placing eligible military family members as teachers in its schools.

Morale, Welfare, and Recreation Initiatives

The Services have implemented a broad assortment of Morale, Welfare and Recreation (MWR) program initiatives aimed specifically for forces deployed to fight the war on global terrorism and their family members. These include free, MWR operated, internet cafes at 30 locations in Iraq, computers and internet service at home station libraries and youth centers to ensure families can send and receive e-mails from their loved ones who are deployed. Additionally, there has been library book and periodical kits, recreation kits that include large screen televisions, DVD/CD players, movies, up-to-date video games and game CDs, exercise equipment, sports equipment, pool and ping pong tables, movie projectors, and first run movies. Auto skills centers have also set up special programs to assist spouses of deployed personnel with emergency auto repairs.

Armed Forces Entertainment

Armed Forces Entertainment, in cooperation with the United Services Organization (USO), continues to provide much welcomed celebrity and professional entertainment to our forces engaged in the war on global terrorism. Robin Williams, Robert De Niro, Conan O'Brian, David Letterman, Drew Carey, Arnold Schwarzenegger, Gary Senise, Paul Rodriquez, George Gervin, Kid Rock, Lee Ann Womack, Miss Universe, several National Association for Stock Car Auto Racing (NASCAR) and World Wrestling Federation (WWF) stars, and several National Football League (NFL) cheerleading squads are some of the many celebrities and entertainers who have generously donated their time to bring a taste of home to deployed forces.

Field Exchanges

There are 52 Tactical Field Exchanges, 69 exchange supported/unit run field exchanges, and 15 ships' stores in the OIF/OEF theaters providing quality goods at a savings, and quality services necessary for day-to-day living. Goods and services offered include phone call centers, satellite phones, internet cafes, video films, laundry and tailoring, photo development, health and beauty products, barber and beauty shops, vending and amusement machines, food and beverages, and name brand fast food operations. Goods and services vary by location based on troop strength and unit mission requirements.

Telecommunications

It is a longstanding DOD practice for service members to be able to make subsidized or free telephone calls home. The frequency and duration of calls using official phones for health, morale, and welfare calls are determined by the commander so as not to interfere with the mission.

The National Defense Authorization Act for Fiscal Year 2004 requires that prepaid phone cards, or an equivalent telecommunications benefit, be provided without cost to enable service members serving in OEF and OIR to make telephone calls. The telecommunications benefit may not exceed $40 or 120 calling minutes. The Secretary of Defense may accept gifts and donations in order to defray the costs of the program. The program continues through September 30, 2004.

On the average, 50,000 health, morale, and welfare calls are made each day. As we implement the act, we are identifying the value of the subsidized health, morale, and welfare calls and continuing efforts with our telecommunications partners to reduce the cost of calls from the theater. We have mounted an information campaign to insure that members choose the most economic calling method available and are looking at more convenient ways for the American public to purchase and donate the best value of calling minutes to service members.

Financial Stability

The financial stability of military families is another initiative that the DOD is addressing, particularly in light of large troop deployments and mobilization. To help families achieve financial stability, the DOD has embarked on an initiative that combines educating Service members and their families on using their finances wisely with expanding employment opportunities for military spouses.

The DOD has emphasized financial well being through a Financial Readiness Campaign designed to enhance the education and awareness programs of the military services through the support of 26 Federal agencies and non-profit organizations. We have already begun to see positive changes in the self-reported assessment of financial condition of service members. The DOD sees that this campaign will evolve into new practices to support service members and their families. The lessons learned through this campaign will be shared with the National Commission for Financial Literacy and Education, established by Title V of the Fair and Accurate Credit Transaction Act of 2003, and assist the commission in developing a financial literacy strategy for the Nation.

We are employing a similar collaborative approach to improve employment opportunities of military spouses by partnering with Federal, State, and local governments to address legislative and regulatory barriers that may inhibit financial stability and portability of jobs, and developing partnerships with government, non profit and private sector organizations to increase the number of opportunities available to spouse to develop careers. Through these initiatives the DOD seeks to enhance financial stability by promoting consistent reliable sources of income and the ability to use it wisely to support quality of life needs and for attaining future life goals.

Commissaries

I'd like to thank Congress for enacting legislation to provide unlimited commissary benefits for Reserve and Guard members. The DOD implemented the new authority the same day the President signed it into law. You recognize, as do we, that the commissary benefit is an important and valued component of non-pay military compensation and it is vital to the quality of life of our service members.

We are working to provide the commissary benefit in the most efficient and cost-effective manner to be able to guarantee that each dollar from the American taxpayer is well spent to support the quality of life of our military members and their families. To do so means new stores may open where warranted, existing stores expand hours and stock assortment, while commissaries that are no longer justified by their customer bases may close or be scaled back.

We believe that lowering the taxpayer subsidy while sustaining and improving the benefit are mutually compatible. Through comparison to commercial industry best practices and performance indicators, we believe we can deliver the benefit in the most efficient and effective manner possible.

We have asked the Defense Commissary Agency (DeCA) to conduct a study to determine the feasibility of adopting variable pricing while sustaining an average 30 percent savings on all products. Industry research and best practice suggest that we could more consistently deliver the desired 30 percent savings to more commissary customers by using this approach.

Casualty Assistance

The DOD continues to explore new methods and procedures to support our family members better during the most tragic of times, the loss of their loved one in the active service to our Nation. One such initiative is the expedited claims process (ECP) with the Social Security Administration. During March 2003, we partnered with the Social Security Administration to study the possibility of institutionalizing the ECP that was so effective in the tragic aftermath of September 11, 2001. The ECP incorporates post-adjudicative development of evidence, as well as the use of a special toll free number for applicants and casualty assistance officers to call when they are ready to file. This process has been extremely successful in providing swift financial assistance to our families. The final results of the pilot program showed the average claims processing time dropped from several weeks to an average of just over 2 days time. Accordingly, the ECP was made permanent in January 2004 for surviving family members of all active duty casualties. We established a similar arrangement with the DVA several years ago. That program, has also significantly expedited the delivery of compensation and benefits to our families who have suffered the greatest loss.

CONCLUSION

Mr. Chairman, this concludes my statement. I thank you and the members of this subcommittee for your outstanding and continuing support for the men and women of the DOD. Our objective is to ensure that our Armed Forces remain the best-trained, best-equipped fighting force in the world—and that we treat the volunteers who make up the force with respect commensurate with their service, their sacrifice, and their dedication.

Senator CHAMBLISS. Thank you.

Secretary Brown, we're glad to have you today.

STATEMENT OF HON. REGINALD J. BROWN, ASSISTANT SECRETARY OF THE ARMY FOR MANPOWER AND RESERVE AFFAIRS

Mr. BROWN. Thank you, Mr. Chairman.

I, too, have a more comprehensive statement which I'd submit for the record. I'd also like to make a few introductory remarks.

I feel really privileged to have been given the opportunity to serve again with this great Army. It's been some 40 years of my life that I've had an association with it.

Our Army is a vital component of the joint warfighting team, and it has successfully prosecuted a very challenging military campaign with that team. It has met the challenges of a volatile post-war period with resolve and flexibility. It has deployed hundreds of thousands of military personnel around the world, and it is in the process of the largest force rotation we have seen in decades. Even as it engages around the world in these numerous operations, it accelerates its efforts to transform to meet future challenges.

There's one overriding reason for the success, so far, of this Army, and that is our people. The young men and women of this Nation continue to answer the call to service. This is a testament both to their patriotism and to the innovative programs we have in place to bring them onboard. The retention story is also good. The willingness of soldiers to remain in uniform is a critical indicator of the health of the Army as a whole. These are people who understand the situation, who recognize the risks, and who choose to continue their service. In my view, each and every one of them is a hero. The willingness of Americans to serve has set the conditions for our success in the short-term.

That said, however, important steps have to be taken to transform our Army for the long haul. As you well know, fundamental changes in any organization as large as ours tend to be difficult. While the Army's current efforts at transformation predate today, they've been going on for sometime. We have dramatically increased the pace at which we want to achieve this change.

I'm particularly proud of the force stabilization initiative, which General Schoomaker and Secretary Brownlee have told you about. This will result in a far more flexible and cohesive force for our Army. Other efforts include military-to-civilian conversions, which we intend to implement in order to achieve some of these new brigades, and the NSPS will help us in that regard. Also, the continuum of service, another concept involving Reserve component service, will provide critical enablers for us as we move towards achieving this transformation.

Even as we reflect on the past year with justifiable pride, much remains to be done. This war is not over, and our planning and management efforts must reflect this. We must continue our efforts to recruit and retain America's best. We must make every effort to take care of our soldiers and their families. They are truly a national treasure.

At the same time, we must recognize that our enemies are both adaptable and persistent. The threats facing our Nation at home and around the world require an Army personnel system that is both flexible and innovative. We've successfully met the challenges for the past 12 months. With your continuing support, we're absolutely confident in our ability to overcome the obstacles ahead.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Brown follows:]

PREPARED STATEMENT BY HON. REGINALD J. BROWN

Mr. Chairman and members of the subcommittee, on behalf of the men and women of the United States Army, I thank you for the opportunity to appear before you today to discuss the active and Reserve military programs of America's Army. Our soldiers are bright, honest, dedicated, and totally committed to the Army's mission and to defeating our enemy. The Army and its leaders continue their commitment to taking care of soldiers and their families.

RECRUITING

The Army is at war. The global war on terrorism and engagements around the globe are our first sustained combat operations since the end of conscription in the 1970s. Recruiting and retaining the soldiers who will fight and win on the battlefield is critical. These young men and women must be able to handle the full complexity of 21st century warfare in a combined, joint, and expeditionary environment. We are in a highly-competitive recruiting environment. Industry, post-secondary institutions and other services compete for prospects very effectively.

We have been successful. The active Army and Reserves met their recruiting goals in fiscal year 2003. The active Army is at 100 percent of it fiscal year 2004 mission through January. On October 1, 2003, we began the National Call to Service (NCS) program; 153 recruits have already selected this program. The Reserve and National Guard are at 98.7 percent and 94.9 percent of their respective missions. We are recruiting a high-quality force; high school graduates are 96.5 percent of active Army recruits, 94.0 percent of Reserve recruits, and 84.6 percent of National Guard recruits year to date. We remain confident we will meet the fiscal year 2004 mission due to our recruiting force and incentives.

Our recruiting force is the best in the world. Our accession mission is over 165,000 this year (active 75,000, Reserve 34,804, and National Guard 56,000). Every day, recruiters are in our communities across the country, communicating the virtue of military service. They are recruiting young men and women who possess the potential to embrace the Army values and develop the character of the soldier's ethos.

Without the support of Congress in providing recruiting tools, advertising, and incentives we could not achieve this recruiting and retention mission. Incentives are a key enabler of the Army's accession mission in terms of military occupational skill (MOS) precision fill, quality, and quantity. Incentives include enlistment bonuses, the Army College Fund, and the Loan Repayment Program.

Bonuses are the most effective tool for MOS recruitment. The bonuses help us compete under current market conditions and beat competitors, but also best allow us the maximum flexibility to react to unanticipated changes in the economic and social environment of tomorrow. We are able to use the bonuses to target critical MOSs, and to target the college market to fill critical MOSs.

The Army College Fund is a proven expander of the high-quality market. College attendance rates are at an all-time high and continue to grow, with 67 percent of the high school market attending college within 1 year of graduation. The Army College Fund allows recruits to both serve their country and earn additional money for college.

The Loan Repayment Program, with a maximum of $65,000, is another means of entry into the high-quality market. While the Army College Fund primarily targets those who have not yet gone to college, the Loan Repayment Program is the best tool for those who have college credit and loans. This has proven to be a great tool to reach potential recruits with at least some college credit. In fiscal year 2003, 24 percent of our recruits had some college credit.

The Army's most effective recruiting tools are its recruiters, incentives, and advertising. We have always selected our best soldiers to be recruiters and will continue to do so. We owe these recruiters and their families the resources, training, and quality of life that will enable them to succeed. The recruiting environment remains a challenge in terms of economic conditions and alternatives. The Army appreciates Congress's continued support for its recruiting programs and for improving the well being of our recruiting force.

ENLISTED RETENTION

The Army has achieved all retention goals for the past 5 years. This result can be directly attributed to the Army's Selective Reenlistment Bonus (SRB) program. The Army re-enlisted 54,151 soldiers in fiscal year 2003, including 15,213 soldiers whose enlistments would have expired before September 30.

Fiscal year 2004 retention missions for the active Army and the Army Reserve are below glide path and are being closely monitored. Thus far, the active Army has

achieved 94 percent of year to date mission, while the Army Reserve has achieved 90 percent of year to date mission. Meanwhile, the Army National Guard is more than holding its own in fiscal year 2004 and has reenlisted 160 percent of their year to date mission. In fiscal year 2004 alone, the Army must retain approximately 58,100 soldiers to maintain desired manning; this equates to a retention mission increase of 2,000 soldiers. We will depend upon a robust SRB program to enable achievement of our retention goals. Developing ways to retain soldiers directly engaged in the ongoing global war on terrorism is critical. We are now using a "targeted" bonus, the Targeted Selected Reenlistment Bonus (TSRB), as a tool to attract and retain quality soldiers. The TSRB aggressively targets eligible soldiers assigned to units in, or deploying to, the Central Command (CENTCOM) area of responsibility (AOR). Soldiers receive no less than a lump sum $5,000 bonus to reenlist for their present duty assignment while deployed in support of Operation Iraqi Freedom (OIF) or Operation Enduring Freedom (OEF). Introduction of the TSRB on January 1, 2004, caused an immediate increase in reenlistments, however, did not make up the total Army shortfall from the first quarter of the fiscal year. We anticipate another significant increase occurring in March/April coincident with the force rotation changeover from OIF 1 to 2 and OEF 4 to 5.

Worldwide deployments, an improving economy, and the Army's Stop Loss/Stop Movement program could potentially affect retention. All components closely monitor leading indicators including historic reenlistment rates, retirement trends, first term attrition, Army Research Institute Surveys, and Mobilization/Demobilization Surveys to ensure we achieve total success.

All components are employing positive levers including Force Stabilization policy initiatives, updates to the reenlistment bonus program, targeted specialty pays, and policy updates to positively influence retention program. Ultimately, we expect to achieve fiscal year 2004 retention success in the active, Guard, and Reserve.

OFFICER RETENTION

The Army continues to monitor officer retention rates as an important component of readiness. Overall retention of Army Competitive Category officers improved in both the company grade and field grade ranks with aggregate fill rate of 103.7 percent. There was a slight increase in attrition for lieutenants and colonels, but the loss rate for captains decreased almost 3 percent from fiscal year 2002 to fiscal year 2003.

The Army has steadily increased basic branch accessions beginning in fiscal year 2000 with 4,000, capping at 4,500 in fiscal year 2003 and returning to 4,300 for fiscal year 2004 and beyond, to build a sustainable inventory to support captain requirements. We achieved 4,443 accessions in fiscal year 2003. The Army can meet current and projected active component officer accession needs through current commissioning sources (Reserve Officer Training Corps (ROTC), Officer Candidate School, United States Military Academy, and direct accessions). Reserve component lieutenant accessions present near- and long-term challenges, but have improved significantly over the past few years, and are expected to continue to improve.

We continue to promote officers at all ranks at or above the Defense Officer Personnel Management Act (DOPMA) goals and expect these rates to continue for the next 2–4 years.

END STRENGTH/STOP LOSS

The congressional-mandated end strength for fiscal year 2005 is 482,400. This consists of 78,500 officers, 399,700 enlisted, and 4,200 cadets at the United States Military Academy. However, due to the global war on terrorism and the ongoing actions to transform America's Army, we expect to have 500,830 on active duty at the end of fiscal year 2005. The breakout by category will be: 81,630 officers, 415,000 enlisted, and 4,200 cadets.

The recently announced force rotational plans will begin the monumental task of rotating forces in support of ongoing operations in Iraq and Afghanistan. During this spring and summer the Army will have 8 of its 10 active duty divisions either deploying or redeploying from operations in support of the global war on terrorism. Consequently, the current and projected operational tempo continues unabated, placing enormous stress on units, soldiers, and their families. Based on the commitment to pursue the global war on terrorism for the foreseeable future, which means providing our combatant commanders the force to decisively defeat the enemy and ensure our formations are ready for warfighting we re-instituted the active Army Unit Stop Loss program and maintained the Reserve Component Unit Stop Loss program currently in effect.

The two Stop Loss models being used in support of the Army's effort in the global war on terrorism are:

— Active Army Unit Stop Loss. This applies to all regular Army soldiers assigned to active Army units alerted or participating in OIF 1 and 2 and OEF 4 and 5.

— Reserve Component Unit Stop Loss. This applies to all Ready Reserve soldiers who are members of Army National Guard or United States Army Reserve and assigned to Reserve component units alerted or mobilized for partial mobilization or Presidential Selected Reserve call-up to participate in Operations Noble Eagle (ONE), OEF, and OIF.

The Active Army and Reserve Component Unit Stop Loss program affects soldiers upon a unit's mobilization/deployment date minus 90 days and continues through the demobilization date, plus 90 days. The 90 days after demobilization is used to ensure sufficient time for soldiers to complete mandatory transition, participate in the Army Career Alumni Program and finish deployment cycle events/activities. In addition the 90 days permits us to redistribute the force to reduce risks to readiness, and distribute soldiers across the Army to satisfy Department of Defense (DOD) guidance to the Services to back out of Stop Loss policies as soon as operationally feasible. Consequently, our policy requires a quarterly review of the programs to determine continuation or termination.

As of February 2004, the Stop Loss program affects a total of 44,535 soldiers of all components.

RESERVE COMPONENTS

The exemplary performance of our Army this past year is testimony that we are one Army—an Army whose components are practically indistinguishable from one another. Whether as volunteers or called up under partial mobilization, the soldiers of the Army Reserve and Army National Guard have come forward to serve proudly and honorably, I know our Nation is proud of their performance. The Army continues to rely on the Reserve components to carry a significant portion of the load in the global war on terrorism. The capabilities they bring to the fight are indispensable, their skills are top notch, and their morale is high.

We have called nearly 250,000 Guard and Reserve soldiers to active duty since September 11 for operations spanning the globe. That is just over 35 percent of the Ready Reserve. Today we have 160,000 Reserve component soldiers on active duty. That number is about 30,000 higher than we have been averaging in the past because we are in the middle of exchanging units in Iraq and Afghanistan, which has caused an overlap of mobilized soldiers. By the end of this calendar year we should have less than 125,000 Reserve component soldiers on active duty.

In addition to mobilizations in support of the global war on terrorism, we continue to have soldiers mobilized in the Balkans, the Sinai, Europe, and the Pacific. The Reserve components have performed missions in Bosnia for the past 3 years. Mobilized soldiers in Europe and the Pacific have proved invaluable in helping move active units in and out of their respective theaters on their way to and from the CENTCOM AOR. The Army assisted the Air Force last year by providing security forces for Air Force installations both in the continental United States (CONUS) and in Europe. At its peak, this program provided 9,000 Army National Guardsmen. We also have over 600 guardsmen from Puerto Rico providing security to Military Sealift Command ships carrying cargo from the CONUS to AORs.

We must maintain the right balance of capabilities between our active and Reserve components. Our Reserve components are embarked on a significant transformational process—one that will enhance jointness, responsiveness, and relevance to emerging missions. Last summer the Secretary of Defense gave the military departments guidance to structure the force to reduce the need for mobilization to no more than once every 6 years, and to reduce the need for mobilization within the first 15 days of a rapid response operation. In this President's budget we have incorporated changes rebalancing Active and Reserve Force structure in the amount of 10,000 spaces: 5,000 spaces are associated with critical early deployment capabilities from the Reserve to the Active Force, and 5,000 spaces are to realign the current active-Reserve component mix required for ongoing operations, homeland defense, and critical post-hostilities operations. At the same time, we are converting both the active and Reserve components Cold War structure to meet the capabilities required of the Army for the global war on terrorism.

PERSONNEL TEMPO (PERSTEMPO)

The strategic and operational environment has significantly changed in light of the large-scale engagement of Army forces in OIF and other expeditionary oper-

ations. Soldiers and their families who serve our Nation feel this increase of turbulence and uncertainty. The time soldiers spend away from home is directly related to the increase in unit and individual deployments and other operations.

The Army actively manages the effects of PERSTEMPO through force management options as well as working with the Office of the Secretary of Defense (OSD) to manage force requirements in response to the global war on terrorism. Army initiatives to reduce PERSTEMPO include resetting the force, force stabilization, modular reorganization, post deployment stabilization policy, use of contract civilians where possible, and rebalancing Active and Reserve Forces. The Army is committed to managing force deployments with an emphasis on maintaining readiness, unit integrity, and cohesion while meeting operational requirements.

PERSONNEL TRANSFORMATION

Army personnel transformation will profoundly impact how the Army delivers human resources services to commanders, soldiers, government civilians, and families. More than improving information technology and systems, personnel transformation is about rethinking programs, policies, and processes to enable the Army to provide optimal use of human capital including; the right information, with the right mix of individuals and units at the precise place and time with the correct skills. Personnel transformation initiatives directly support the goals of making the Army more "joint, "expeditionary," and "modular." These personnel transformation changes will enhance the individual and unit readiness of the Army across all components—active Army, Army National Guard, and Army Reserve.

The Enterprise Human Resources System forms the information technology infrastructure and the knowledge architecture for personnel transformation. It includes the Defense Integrated Military Human Resources System (DIMHRS), an OSD-directed software capability that maximizes the potential of Web-based technology and commercial off-the-shelf software. The Army is the first Service to undertake the implementation of DIMHRS and has dedicated resources to assist in the development and review of functional human resources requirements. The Army is counting on DIMHRS to replace its legacy systems with a single, multi-component, integrated database across the DOD, enabling management of soldiers, Army civilians, and contractors.

The Enterprise Human Resources system will provide passive, full visibility across all Services and components, and will enable visibility in support of joint partners. It will be composed of one single authoritative source database, and will serve all echelons of command and will include the individual soldier and family member. The system will also provide access to leaders, individuals, and human resource providers. The system will allow leaders to manage their organization across components, and will be linked to the Army's command and control operational architecture for battlefield functions, such as casualty reporting and strength accounting. A transformed Human Resources Information System will provide the tools necessary to make critical combat and non-combat human resources support relatively routine.

Force structure changes are already underway in the personnel community's workforce and organizations. From headquarters to unit level, a variety of modular, multi-functional units are being structured and redesigned to meet the future needs of a modular and expeditionary Army. For example, at Headquarters Department of the Army, the Army Reserve and Active Army Personnel Commands have merged into the United States Army Human Resources Command. The civilian equivalent, the Army's Civilian Human Resources Agency is now approved for inclusion within the command, and will be supported by the Human Resources Information System. Likewise, military personnel occupational specialties will be merged into a multi-skilled human resources specialty, providing more flexibility and support to an Army at war.

Continuum of service is the idea of establishing a personnel system that spans operational possibilities from high intensity combat to weekend duty at a local armory. The continuum of service will break new ground for us. It has the potential to offer soldiers more choices than they have today. Soldiers will be able to move back and forth between full-time and part-time service. Taken to its fullest, some soldiers will be able to serve less than full time but more than the current Reserve model of 39 days a year active soldiers would be able to serve in a Reserve status for a portion of their careers. As a soldier's personal circumstances change they will have more freedom of choice between active or Reserve service and should be able to traverse the continuum in either direction as they progress through the rank structure. This type of movement is nearly impossible today. If we are to continue to attract bright and ambitious people we need to offer them a range of opportuni-

ties comparable to what they could find in the civilian sector. It will open more career opportunities for soldiers to optimize civilian training and will help our efforts to increase volunteerism within the Reserves and National Guard.

The continuum of service idea when implemented, will facilitate sustaining support to the global war on terrorism. It will give us the ability to use critical skills found in the Reserve component with more precision. To name a few, information technology, civil affairs, and language skills are frequently needed during specific missions for limited periods of time. If we let these highly-skilled people move between active and Reserve duty on schedules that meet mission needs while permitting these soldiers to maintain their skill on the cutting edge in the civilian sector the Army will benefit. This is good human resources management. It gives the Army additional agility and flexibility to fight the global war on terrorism with our most valuable resource—our people. I seek your support for the DOD's initiatives in this area.

Force Stabilization

The Army is transitioning to Force Stabilization, a personnel manning initiative designed to enhance unit readiness by increasing stability and predictability for soldiers and families. Force Stabilization places greater emphasis on building and sustaining cohesive, deployable combat-ready units for combatant commanders. Home-basing and Unit Focused Stability are two new manning strategies that will keep soldiers in units longer and will serve the purpose of fostering cohesive and combat ready forces.

Under home-basing, all initial entry soldiers and their families assigned to selected installations in the continental United States will remain at that installation for 6 to 7 years. The 7-year career mark was established because it is at that point the Army's manning needs outside tactical units significantly increases.

Unit Focused Stability synchronizes a soldier's assignment to the unit's operational cycle. Under Unit Focused Stability all members of a unit arrive at the same time and remain in that unit for 3 years. This strategy sets the conditions for achieving higher levels of training effectiveness, deplorability, and combat readiness. By synchronizing soldier's assignments based on the operational cycle of their unit, personnel turbulence will be reduced.

Military to civilian conversions are a way to improve the efficiency of manpower and make more military deployable by moving military personnel out of positions that can be prudently performed by civilians. As part of the Army's long-term transformation strategy, it is essential that we start realigning military positions from existing infrastructure organizations to staff field units. This effort relieves stress in the operating forces and facilitates the formation of additional combat brigades. Although we are still working out the details of implementation and funding, we intend to convert at least 10,000 to 15,000 military over the next 3 to 4 years starting in fiscal year 2004, as we increase to 10 active brigades.

NATIONAL SECURITY PERSONNEL SYSTEM

We want to take this occasion to thank again the committee and Congress for enacting the National Security Personnel System (NSPS) in the National Defense Authorization Act for Fiscal Year 2004. The act authorized a more flexible civilian personnel management system for the DOD that allows the DOD to be a more competitive and progressive employer at a time when our national security demands a highly-responsive system of civilian personnel management. The legislation ensures that merit system principles govern any changes in personnel management, whistleblowers are protected, discrimination, and nepotism remain illegal, and veterans' preference is protected. The DOD will collaborate with employee representatives, invest time in trying to work our differences, and notify Congress of any differences before implementation. In January, DOD officials met with union representatives to begin the development of a new system of labor-management relations. Later this year, the DOD plans to begin implementing NSPS following an intensive training program for supervisors, managers, human resources specialists, employees, as well as commanders and senior management.

ARMY REVIEW BOARDS AGENCY

Army Review Boards Agency (ARBA) has taken the lead for all the Services in developing an online application program for the Army Board for Correction of Military Records and the Army Discharge Review Board. This is an initiative to comply with the Government Paperwork Elimination Act. The electronic online application will allow the applicants to apply securely online through the Internet. The ARBA online application process will be an important tool in fulfilling the vision of im-

proved customer service and governmental efficiency through the use of information technology. The online application is expected to be fully operational by May 2004.

WELL-BEING

For an Army at war, the well-being of soldiers, civilians, and their families is inextricably linked to the relevance and readiness of the force. As Army Chief of Staff, General Peter Schoomaker so eloquently puts it, "The Army has to invest in the soldier." His statement recognizes that people are the heart and soul of The Army and their preparedness to carry out the Army's mission is directly linked to their sense of well-being. Much has been done to ensure that the soldier remains the centerpiece of Army transformation. But as we move into the 21st century, the needs and aspirations of our people continue to evolve along with the changes in the operational and societal environments. Every effort must be made to ensure the Army's investment in its people is in keeping with the commitment and sacrifices expected of them. As part of the Army's Well-Being Initiative, efforts are ongoing to expand the scope of people-oriented initiatives beyond a traditional active Army focus to include consideration of the veterans, retirees, civilians, and associated family members.

Deployment Cycle Support Program

We have demanded levels of excellence from soldiers and they have risen to the task. Deployment Cycle Support (DCS) assists soldiers and Department of the Army civilians redeploying from combat or other operations, and their family members, in meeting the challenges of returning to "home station. For deployed soldiers and Army civilians, the DCS process begins in-theater and continues at demobilization sites and home station. For family members, training is conducted at home stations for reunion with the soldier. Additionally, health care, and an individual assessment is conducted by the unit leadership. The key element of DCS is the re-establishment of soldier readiness to include personnel readiness, deployment readiness and family readiness. During the development of DCS, the Army identified areas that needed enhancements in providing necessary assistance to deployed soldiers, Army civilians, and their families. To resolve those shortfalls the Army has funded a program called Army One, an information and referral resource that has been readily available to soldiers and their families.

Disabled Soldiers Support System

The Disabled Soldier Support System consists of a centralized management program operated at the Department of the Army headquarters. The program will expand to include placing a representative at each of the seven Installation Management Regions to further facilitate and follow-up with severely disabled soldiers in their communication and connections to local, Federal, and national agencies and organizations. The Disabled Soldier Support System will provide personal liaison support between soldiers, families, commands and communities regardless of the component. It is the Army's intent to monitor disabled soldiers as individuals, while monitoring trends to ensure their needs are met.

Rest and Recuperation (R&R) Leave Program

At the present time, the R&R Leave program is a highly visible and critical component of the Army Well-Being Initiative. R&R opportunities are vital to maintaining combat readiness when units are deployed and engaged in intense, sustained combat operations. The R&R Leave program provides a means whereby soldiers deployed in the CENTCOM AOR are able to temporarily lay aside the stress and rigors of service in a combat zone and focus critically needed attention on their own physical, emotional and spiritual well-being as well as that of their families and loved ones. To date more than 46,500 soldiers and DOD civilians have participated in program.

SOLDIER EDUCATION INITIATIVES

In-State Tuition Initiative

As part of the Army's well-being programs, we continue to expand the scope of people-oriented initiatives beyond a traditional focus to a more inclusive consideration of the entire Army Family. Making post-secondary education affordable for our soldiers and their families is one example. The difference between paying in-State or out-of-State tuition to go to college is a significant factor in whether soldiers can afford to send their families to college. The mobility of the military community, coupled with the State-specific criteria for determining eligibility for in-State tuition, results in the military spouse/family member facing a variety of rules and procedures that may not result in designation as in-State residents for tuition purposes.

The Army is still working with our sister Services to encourage states to grant in-State tuition in both the place of official residence and the place of assignment. The program also establishes continuity of the benefit until graduation for the children and spouses of soldiers who transfer overseas or to another State following matriculation. We are making progress; Texas and Georgia recently passed legislation to provide both in-State tuition and continuity of the benefit upon reassignment. We have also created an in-State tuition Web site to serve as a valuable source of information for military members and their families, educators, and State legislators alike.

eArmyU

Launched in 2001, the eArmyU program has enhanced traditional Army distance learning programs and services with an anytime, anywhere program that ensures eligible enlisted soldiers have access and support to fulfill their educational goals. The key objectives of eArmyU are to improve well-being, increase retention, and enhance readiness by providing learning opportunities that develop the critical thinking and decisionmaking skills required on today's battlefields. By leveraging the technology provided through the world's largest education portal—eArmyU.com—soldiers currently access curricula at 28 regionally accredited universities offering virtual classrooms and libraries, academic counseling, administrative, and technical support. Together, these institutions offer soldiers a choice of 143 degree programs. eArmyU is currently offered at 14 installations, and more than 43,400 soldiers are enrolled. As of February 5, 2004, more than 10,196 soldiers have permanently changed duty stations from their original enrollment installations and are now participating in eArmyU from locations worldwide, to include 50 countries, 4 U.S. territories, and 50 States. We are now assessing the feasibility of deploying eArmyU to soldiers in the CENTCOM AOR. The program has made education viable for soldiers; 27 percent of soldier-students have never enrolled in post-secondary education. Of those soldiers who signed participation agreements, 21 percent have reenlisted or extended to take advantage of eArmyU. As of February 2004, 3,418 soldiers have earned degrees through eArmyU. eArmyU is a streamlined and effective learning opportunity that, due to its unique portal technology, advances the Army into the rapidly developing e-learning market.

Education Support to Deployed Soldiers

Two mobile teams from the Army Continuing Education System (ACES) in Europe have administered Army Personnel Tests (APTs) in Iraq and Afghanistan to soldiers eligible for reenlistment. Mobile team APTs will continue until Army Education Centers are established in-theater. Soldiers in Iraq and Afghanistan are also currently enrolled in distance learning college courses using tuition assistance. The Army's goals for fiscal year 2005 are to: (1) expand eArmyU enrollment to deployed soldiers; (2) continue installation reachback support for soldier continuing education; and (3) to open education centers in Afghanistan Uzbekistan, and Iraq.

MILITARY COMPENSATION AND BENEFITS

A competitive compensation package is critical to ensuring we are able to recruit and retain a high quality force. The fiscal year 2004 budget contains an average 4.1 percent pay raise. The fiscal year 2005 President's budget if enacted would provide pay raises at Employment Cost Index plus 0.5 percent, which helps the Army to compete with the civilian sector employment. This equates to 3.5 percent for fiscal year 2005.

The President's fiscal year 2005 budget puts us on track to eliminate average out-of-pocket housing costs for our men and women in uniform by 2005 and is reflected in the Basic Allowance for Housing (BAH) portion of the Military Personnel Army (MPA) budget request. This initiative improves the well being of our soldiers and families and contributes to a ready force by enhancing morale and retention.

With your support, we have undertaken a number of initiatives to provide special compensation for our soldiers who serve their country under hazardous conditions and we continue to look for ways to compensate our soldiers for the hardships they and their families endure during time of war. We will continue to emphasize fair and equitable compensation and benefits for our soldiers and their families and thank you for continued support for the men and women of the Army.

MILITARY RETIREES

Our Army retirees and their families are highly-valued partners with our active duty and Reserve component soldiers. Their rich legacy of sacrifice and service inspires today's soldiers. Many continue to serve America in a wide variety of posi-

tions both in and out of government and are a strong link between the Army and their communities.

Soldiers, past and present, continue to serve selflessly. In the same tradition, the Army remains committed to serving the survivors of soldiers who die on active duty and paying special compensation to retirees who are severely and combat-disabled.

MEDICAL HOLDOVER

The Army has been intensively managing the health care and disposition of Reserve component soldiers in a medical holdover (MHO) status. Of particular interest are the soldiers who have been in a MHO status since before November 1, 2003, such as those at Fort Stewart and Fort Knox. Although the soldiers were being provided quality medical care, the timeliness of the health care was not sufficient. Similarly, medical holdover soldiers were housed in transient billets, which were not suitable, nor in some cases, met their medical conditions. The Army has taken the following actions since November 2003 to provide more timely medical service and better support to soldiers in MHO status.

— Acting Secretary Brownlee directed standards for more rapid delivery of care (e.g. screening, specialty appointments, surgery). The delivery of these standards is monitored at every Medical Treatment Facility (MTF), and emphasis is place on timely delivery of medical services.

— The Army increased medical infrastructure (e.g. increased numbers of physicians, case managers, diagnostic capability) to provide more readily available, high quality treatment in MTFs.

— We upgraded billets in which MHOs are housed to ensure that facilities will accommodate soldiers' medical conditions and are commensurate with active component soldiers on the same installations. In some cases MHOs have been relocated off the installation until adequate quarters can be provided on the installation. The Army is spending an estimated $15.7 million to ensure facilities are adequate so that soldiers in an MHO status are housed in a manner that is commensurate with permanent party soldiers on the same installation.

— We established a dedicated chain of command at each installation to monitor progress and provide necessary support for soldiers in an MHO status.

— Finally, the Army authorized Reserve component soldiers mobilized after October 25, 2003, to be released from active duty if found medically unfit to deploy within the first 25 days of mobilization. These actions have resulted in a reduction in the number of pre-deployment medical holdovers, and have postured the Army to more effectively deal with this problem. On February 20, 2004, there were 4,135 soldiers in MHO status.

During the period of the rotation of units to and from Iraq, Afghanistan, and the Balkans, the largest number of active and Reserve component soldiers since World War II will rotate through Army installations. The Army is committed to ensuring that soldiers are medically qualified for service in a theater of operations, and provided comprehensive care and treatment to soldiers who have served and incurred illness or injury. By law, each soldier is required to undergo a health assessment before deployment and upon returning from deployment to the theater of operation. The Army anticipates that the health assessments on the large numbers of forces rotating in and out of theater will increase the number of MHOs. However, it is not possible to anticipate the exact number.

CLOSING

Our Army's commitment to the future is certain. We remain dedicated to training and equipping our soldiers and growing leaders so they can win the fight against the global terrorism. We fully appreciate the congressional support provided to us this past year. With your support and the support of the American people, we will continue to carry the fight to our enemies to provide security here at home.

Again, thank you for the opportunity to appear before you today.

Senator CHAMBLISS. Thank you.

Mr. Navas, we're pleased to have you with us.

STATEMENT OF HON. WILLIAM A. NAVAS, JR., ASSISTANT SECRETARY OF THE NAVY FOR MANPOWER AND RESERVE AFFAIRS

Mr. NAVAS. Mr. Chairman, Senator Nelson, I'm delighted to be here. It's my pleasure to be here to appear before you and rep-

resent the outstanding active, Reserve, civilian, and contractor personnel of the Navy and the Marine Corps team.

Also, like my colleagues, I would like to make a brief statement and have my complete statement entered as a matter of the record.

Let me begin, sir, by thanking the subcommittee for the superb support it has consistently provided to our personnel over the years, in particular after our Nation was attacked 2½ years ago on September 11. Your support of critical investments and personnel programs affirms our Nation's commitment to the outstanding men and women who serve in our military. The DOD has worked very hard to convert your support into actions to sustain our activities in the global war on terrorism and increasing personal readiness and, ultimately, our warfighting capability.

Secretary England, Admiral Clark, and General Hagee are providing the Department of the Navy and the Services with extraordinary leadership during this pivotal time in our Nation's history. I would also be remiss if I didn't give due credit to the Service Personnel Chiefs, who will be testifying later on today, Lieutenant General Garry Parks and Vice Admiral Gerry Hoewing. I have a very close working relationship with them, and it's a pleasure working with them as we plan and execute the excellence that the American people deserve. My job as Assistant Secretary of the Navy is considerably easier thanks to their support, capabilities, and their forward-looking vision and dedication.

Sir, today we're engaged in two major campaigns. One is fighting the global war on terrorism, and the other is transforming our military as it needs to transform to deal with this new environment.

On the global war on terrorism, the Navy and Marine Corps are forward-deployed and valiantly prosecuting the enemy around the globe. On the campaign for people, as we work to recruit, retain, and shape the best naval force that our Nation can muster, we have turned the tide, and we're making great progress in that regard.

Unlike a few years ago, our forward units are fully manned. The Navy and Marine Corps are meeting both their retention and recruiting goals, and quality has never been better. This is not to say that we don't have some areas that we need to still consider and remain focused on to make sure that we are building on this record of success.

The DOD's fiscal year 2005 budget submission strives to do that. It provides, like Dr. Chu has said, a 3½ percent pay increase for our personnel, and it eliminates the out-of-pocket expenses for housing. It supports our Services' end strength requirements, and it continues to give us critical force-shaping tools, such as the selective re-enlistment bonus and special incentives. It also provides, in general, for our personnel readiness program.

Our vision is based on our seminal documents, Seapower 21 and Naval Power 21. As part of that vision, it's an integrated human-capital strategy that we have developed for delivering that total force. It is critical that we have the right mix of active, Reserve, civilian, and contractor personnel to be able to accomplish this vision. What we learned during the global war on terrorism was that our personnel systems were not as agile and flexible and integrated, as they needed to be. They were, rather, in some cases a

unique stove-piped system that made it very difficult to apply the right person to the right job at the right time, especially in an era of a volunteer force where people are one of our most precious resources, but also one of our most expensive resources. We need to leverage technology, which is becoming increasingly less expensive.

So what we're trying to do is to assess our core competencies, concentrate on those core competencies, and then try to basically shed ourselves of things that we might not need to be doing, or that we could outsource. This is the Department of the Navy's vision for human resources. The Secretary of the Navy has made this his top priority. Our philosophy is to leverage the best technologies. We will concentrate on our core competencies. We'll eliminate those activities that are no longer relevant, and we will carefully determine and find personnel who are best suited to those functions.

In order to carry this out, the Department of the Navy has established three thrust areas for this year. The first is to implement the NSPS, which the Secretary of the Navy has asked and authorized us to take the early lead on, because I think that this is a critical piece in our human resources strategy. The second piece is to transform our Naval Active Personnel System, in support of Seapower 21 and Naval Power 21. Third, in the aftermath of September 11, to rebalance and realign our Reserve components from a Cold War structure to a more agile, more supportive force.

So, in closing, sir, we are prosecuting successfully the global war on terrorism at the same time we are transforming our force. We cannot succeed in this without the support that your subcommittee and Congress has provided us before, and we look for that type of support in the years to come.

So, Mr. Chairman, again, I'm grateful for having this opportunity, and I would be ready to answer any questions that you might have.

[The prepared statement of Mr. Navas follows:]

PREPARED STATEMENT BY HON. WILLIAM A. NAVAS, JR.

Mr. Chairman and distinguished members of the subcommittee, it is my pleasure to appear before you today to testify on behalf of the outstanding active duty, Reserve, civilian, and contractor personnel of our Navy and Marine Corps team. I am pleased to be able to share with you the remarkable progress that the Department of Defense (DOD) has made since I last testified before you regarding the Department of the Navy's personnel programs, including exciting developments in our transformational efforts to implement the National Security Personnel System (NSPS), modernize the Navy's human resource system, and rebalance our mix of Active and Reserve Forces.

Let me begin by thanking this subcommittee for the superb support it has consistently provided our personnel over the years, and in particular, during the challenging 2½ years since our Nation was attacked on September 11, 2001. This subcommittee's support of critical investments in our personnel programs affirms our Nation's commitment to ensuring the highest levels of personnel readiness and mission effectiveness.

My intent today is to highlight several specific issues that are of particular interest rather than listing all of the program areas that fall under the oversight of Manpower and Reserve Affairs. I respectfully refer you to the DOD's fiscal year 2005 budget submission that contains more specific details on a myriad of manpower issues.

ONE NAVY AND MARINE CORPS TEAM

Secretary England, Admiral Clark, and General Hagee are providing the Department of the Navy and the naval services extraordinary leadership during a pivotal time in our Nation's history. I must also give due credit to our two Service Person-

nel Chiefs, Lieutenant General Parks and Vice Admiral Hoewing, with whom I have the pleasure of working very closely to plan and execute the excellence that the American people deserve. My job as the Assistant Secretary of the Navy is made considerably easier thanks to their impressive capabilities, forward looking vision, and dedication.

As I speak to you today, our sailors, marines, civilians, and contractors are waging the war against terrorism on many fronts, while aggressively transforming the force as we recapitalize the fleet to meet future challenges. These are demanding times for our Services, but I can report to you with great confidence that, with your continued support, the men and women of the Department of the Navy are up to the task and we are succeeding!

The Navy and the Marine Corps exist and operate as one integrated force. We share one common vision as captured in our capstone document, Naval Power 21. We are proud of the fact that our people operate as one integrated force without losing the two Services' unique missions, organizations, and heritage. That is why the Department of the Navy has one integrated human capital strategy focused on optimizing and delivering a total force to support our Nation's warfighting capability.

CONTRIBUTIONS OF OUR MEN AND WOMEN IN A GLOBAL WAR ON TERROR

In the global war on terrorism, Navy and Marine Corps personnel are valiantly prosecuting the enemy around the globe. Forward deployed and operating on the ground, in the air, on the seas, and under the oceans, they are demonstrating the highest levels of professionalism and heroism.

Last year, over 50 percent of the Navy's fleet and over 70,000 marines were forward deployed in support of Operation Iraqi Freedom (OIF) 1. Post-September 11, 2001, the Marine Corps mobilized over 22,000 reservists, including 3,500 from the Individual Ready Reserve (IRR), and the Navy mobilized over 22,000 reservists with a peak of over 12,000 during OIF 1. Mobilized commissioned naval units included coastal warfare, construction battalion, and aviation communities, while individuals were mobilized primarily from security, intelligence, law enforcement and physical security augmentation units. Today, the Navy has less than 2,500 personnel mobilized and the Marines approximately 5,500. Our Reserve Forces ably demonstrated their ability to surge on short notice and deliver ready, well-trained personnel where they were needed, when they were needed.

Now we are engaged in the re-deployment of Navy and Marine forces in preparation for OIF 2. Beginning this month, Navy and Marine Corps personnel will deploy in two 2-month rotations, with the initial ground rotation including approximately 25,000 active duty marines, 2,300 Marine reservists, 5,000 active duty Navy, and 800 naval reservists. We are proud of the contributions they will be making, and we are honored to support them.

INVESTING IN OUR PEOPLE

People are central to the Department of the Navy and the Services. Without our men and women to carry out our mission, our investments in ships, modern weaponry, and warfighting skills would be without purpose. That is why the Department is keenly focused on making investments in people that improve capabilities, readiness, and willingness to serve.

Pay and Benefits

The fiscal year 2005 budget continues to enhance the competitiveness of military compensation, and includes a basic pay raise for military personnel of 3.5 percent. In accordance with our plan to address the housing needs of our personnel, Basic Allowance for Housing (BAH) programs have been funded to reduce out-of-pocket expenses from 3.5 percent in fiscal year 2004 to zero in fiscal year 2005. These investments help us to compete for talent in the workforce while keeping faith with those we wish to retain.

Supporting Personnel Readiness

Personnel readiness support programs demonstrate the DOD's commitment to our people. The Department continues to emphasize and fully fund a wide range of programs to improve the quality of life for our military personnel and their families. In support of the global war on terrorism, the fleet and family support centers and the Marine Corps Community Services continue to address the increasing needs of our deploying service members and their families. These programs cover a wide spectrum of support and community activities, including fitness, recreation, and other community services. In the past year, we have—with a number of partners—actively improved communications between deployed sailors and marines and their

families at home by distributing free phone cards. We continue to provide affordable, high quality childcare to help relieve members from their worries that can limit their ability to get the job done, and we are expanding our efforts to identify and facilitate spouse employment opportunities. The Department continues to emphasize voluntary education programs as essential elements of individual growth and job performance.

Medical Readiness

The recent experiences of DOD medical systems in OIF and Operation Enduring Freedom (OEF) have become the catalysts for a careful evaluation of the requirements of military medicine looking to the future. It is critical that our sailors and marines receive quality medical care in-theater and on the job in the continental United States (CONUS) to ensure that our military personnel are deployable and mission-capable. To that end, Navy medicine is aligning in support of the operational Navy, responding to needs arising from high operational tempo (OPTEMPO) and growing commitments overseas, while aggressively striving to contain costs. The Department is committed to providing timely access to quality health care for all beneficiaries—active duty, reservists, retirees, and family members. Health productivity management is an emerging business strategy that can yield tremendous dividends for the Department by utilizing health interventions that reduce both direct and indirect costs. Disease prevention and personal fitness are key to maintaining a fit and healthy force.

Wisely Managing Force Strengths

We are carefully considering the cost of personnel and actively working to reduce overall manpower expenses by streamlining, enhancing efficiency, and eliminating unneeded work. As technology grows more affordable and the cost of personnel grows more expensive, it is imperative that we move away from labor-intensive work by maximizing the benefits of technology. We will not assign smart, talented people to do mindless drudgery work as we did during the conscription era.

The Navy is reducing active duty and Reserve personnel strength in fiscal year 2005 by decommissioning older ships and replacing manpower-intensive work by leveraging technology more efficiently. The Marine Corps end strength remains steady providing sufficient resources to meet mission requirements, while shifting some work currently performed by marines to civilians, freeing up more marines for direct military functions.

The fiscal year 2005 budget reflects our commitment to our personnel and to the American taxpayers. It is a balanced budget that is in line with fiscal realities and one that can maintain force readiness and operations. Your subcommittee's support of the Navy budget will further strengthen the Department's ability to ensure current readiness.

WINNING THE CAMPAIGN FOR PEOPLE

Our investments are helping us to win the campaign to attract the highest quality, and retain the best people, to man our forces in the future. Today, our forward deployed units are fully manned. The key challenge will be sustaining the gains we have made and continuing to build upon our successes to attain the highest level of battle readiness.

Recruiting the Force

Fiscal year 2003 was another outstanding recruiting year for both the Navy and the Marine Corps. Thanks to the dedicated efforts of our recruiters—and, in particular, this subcommittee's funding of enlistment incentives and advertising—we were able to attain or exceed our goals for active and Reserve, as well as officer and enlisted personnel. The quality of our personnel continues to improve, and the Services remain on track to continuing our successes in fiscal year 2004.

The Navy attained its annual enlisted recruiting goal for the 5th year in a row, and met both new contracts and accessions goals for the 30th consecutive month. The Navy also succeeded in achieving 40 percent increases in the percentage of recruits with college experience to 6 percent, and increased the percentage of high school diploma graduates from 92 to over 94 percent. The Marine Corps met or exceeded its recruiting goals last year for the 8th year in a row, and quality remains high with over 97 percent of new recruits being high school diploma graduates.

Recruiting programs for both the Navy Reserve and the Marine Corps Reserve remain strong, meeting recruiting mission in fiscal year 2003. In fiscal year 2003, the Navy consolidated both active duty and Reserve Force recruiting activities under one command for a total force Navy Recruiting, as a streamlining initiative to enhance force management.

The National Call to Service (NCS) program, initiated this year for the first time, has the potential for further enhancing the Services' personnel strength by attracting a limited number of high quality recruits for shorter active duty enlistment periods in hard to fill ratings or military occupational specialties (MOS). The Navy has already written enlistment contracts for NCS since it was made available in mid-January, and intends to write 1,000 contracts this year and another 2,000 in fiscal year 2005. The first recruits will report for basic training in May. The Marine Corps intends to recruit 175 for the program this year, increasing the goal incrementally until reaching 350 in fiscal year 2006. We will be carefully evaluating the results of this program and report back to Congress as data become available.

Retention of Our Best People

Retaining the best and brightest sailors and marines has always been a core objective of the Department of the Navy and key to our continued success in combat. With retention, success tends to breed further success: better retention allows the Services to become more selective, targeting higher quality and specific skills and experiences, thereby facilitating more favorable force shaping. Currently, the Navy is actively maturing its force to operate increasingly complex systems by retaining more of our highly-skilled sailors and maintaining advancement opportunities. The Marine Corps, a youthful force by design, is focused on retaining the highest quality marines to grow the ranks of our staff noncommissioned officers (NCOs) whose combat leadership is the basis for much of the Marine Corp's historical success.

In fiscal year 2003, the Navy exceeded all of its aggregate retention goals for the third year in a row, and reduced first term attrition another 10 percent from fiscal year 2002 levels. Despite these successes, which have led to the Navy removing 41 ratings from the critically manned ratings list and attaining 95 percent of goal in five other critically manned ratings, we remain keenly focused on addressing the shortfalls that remain.

The Marine Corps succeeded in achieving first-term reenlistment goals for the past 9 years and reduced attrition to its lowest level ever. This year, the Marine Corps has already achieved 76 percent of first term retention and 47 percent of second tour and beyond goals only a third of the way into the fiscal year.

Officer retention in both Services is high—the Marine Corps at a 19-year high and the Navy is showing continued improvement. Despite the current positive trend, we do have problems in certain communities, particularly in the Navy O3–O4 aviation and O4–O6 surface and submarine unrestricted line communities. The Navy plans to continue using special pays to target specific qualifications and skills through continuation pay.

Our experience and research indicates that programs targeted to specific skill shortages, such as the Selective Reenlistment Bonus (SRB), continue to have the strongest impact on reenlistments, while helping us to better target specific skills. This subcommittee's support of continued funding of these important retention and force shaping tools are critical to sustaining our record of retention successes.

NAVAL HUMAN CAPITAL TRANSFORMATION

Transforming human capital management is central to the Department's strategy for optimizing and delivering a total force in support of our Nation's warfighting capability. The success of Naval Power 21 depends on our ability to produce the right mix of active, Reserve, civilian, and contractor personnel when and where it is needed, at the right cost, now and in the future.

Changing Workforce Requirements

From 1947 to 1989, our national security efforts were defined by the Cold War. We built and poised naval forces for large-scale, blue water, prolonged warfare operations, and we designed personnel systems based on conscription to maintain large standing forces, favoring mass over agility, redundancy over efficiency, and simplicity over flexibility. Industrial age business and management processes were effective for building and maintaining these massive forces and surge capacities.

Since the fall of the Berlin Wall in 1989, globalization has shaped a "new world order." Nations, cultures, businesses, and people have become more accessible and more exposed than ever before. Threats to homeland and international security come from multiple directions in diffused and difficult to predict ways. As a result, the men and women of the Navy and Marine Corps are responding to new requirements, deploying more often, and more quickly, to more places, and conducting more complex tasks than ever before.

As the challenges we face grow more complex and demanding, information technology and modern business processes are required to effectively support the naval response to the global war on terrorism. Accelerated accessibility and abundance of

information is enhancing the performance of our warfighters and those who support them.

As a result, the workforce has been evolving, resulting in people learning to operate in knowledge-centric environments; increased career mobility and flexibility; expectations of higher responsiveness from management; and significantly increasing productivity. This requires personnel systems that are agile, flexible, and integrated.

Three Separate Personnel Systems

What we have learned in the global war on terrorism is that our human resource systems were not as agile, flexible, and integrated as we needed them to be. The systems did not enable total force management—rather, active duty, Reserve, and civilian personnel were managed under separate systems with separate sets of non-complementary and inflexible statutes and rules. We often did not have the ability to easily assign the most effective individuals to do our work and properly balance the skills inventory of the workforce, creating significant inefficiencies.

The President and the Secretary of Defense have given us the mandate for addressing these issues, and Secretary England has made it a top priority for the Department of the Navy. We are striving to implement our vision for human capital management with a modern integrated human resource system that can respond quickly and with ease to support changing mission requirements. We are seizing this historic opportunity to take an important step forward, and I am pleased to share with you what the DOD is undertaking to meet this requirement.

Our Philosophy on Human Resource Management

People are our most valuable asset and, when properly supported and managed, critical force multipliers. The DOD will lead in the development of a 21st century human resources approach to support our people, leveraging the best technologies, business efficiencies and practices to gain the highest levels of organizational effectiveness.

- We are assessing our core competencies and determining which functions contribute to mission accomplishment. Those activities and functions that are no longer relevant to our core mission will be eliminated.
- Functions that are core to our mission will be sorted into three categories: those that should be done just by civilians; those that may be done by either military or civilians; and those that must be done just by military personnel. As a general rule, we will contract out non-core functions when it is cost-effective to do so. For those functions that can be done by either military or civilians, the NSPS will provide the flexibility and performance initiatives needed to enhance the assignability of civilians to these military-civilian jobs. In those functions that require military personnel, we will strive for the right balance and leverage Reserve component capabilities.

Our Strategy for Naval Human Capital Transformation

The Department's strategy is to modernize our human resource systems into one total force manpower management program that enables flexible, agile, and integrated responses to changing manpower demands. The 21st century total force manpower management program would incorporate state-of-the-art workforce planning and labor-capital assessment tools, an integrated information technology architecture, and flexible policies that allow optimal matching of people and skills to the required work. The "continuum of service" model advocated by Dr. Chu for enabling military personnel to move easily between the active and Reserve components is an important step towards enhancing the Department's vision.

In 2003, the DOD established the Force Management Oversight Council (FMOC) as the senior policy-making and oversight authority integrating departmental manpower and personnel policies. Through the FMOC, the secretariat and the Services are now able to coordinate and align cross-cutting policies and initiatives, and oversee the development of the DOD's total force manpower management program.

This year, the Department is implementing three major initiatives for transforming human capital management:

1. Transforming the Civilian Personnel System

Implementation of the National Security Personnel System

We are pleased that the Secretary of Defense, at Secretary England's request, has authorized the Department to be in the first wave of conversions to NSPS. Thanks to the support of Congress in passing NSPS, the Department will have at its disposal much-needed authority to overhaul an outdated and antiquated system of civilian human resource management, and to create a new work culture based on performance instead of entitlement. This new system will provide the flexibility and

agility critical to meeting mission readiness requirements, and enable the recruiting and retaining of high performing workers.

Most Department of the Navy civilian employees, with the exception of those specifically excluded by law, will be a part of the first conversion to NSPS. We have established an NSPS Project Management Office (PMO), which will work closely with the DOD, to develop and execute the Department of the Navy's strategy for implementation. The Department intends to facilitate military-to-civilian assignments using streamlined classification and pay banding systems, which will have the effect of proper balancing the workload military and civilian employees and freeing up more warfighters for "the tip of the spear."

2. Transforming the Navy Personnel System

Modernizing Navy's human resource system to support Sea Power 21

The Navy is in the midst of aggressively modernizing its human resource management system to support Sea Power 21's transformation strategy. At the heart of the Navy's workforce shaping agenda is its focus on developing and maintaining the right capabilities for the 21st century fleet, not on simply managing to specific numbers of personnel. The goal is to grow and optimize a force with the proper skills mix that can be applied where and when it is needed in support of the Navy's mission.

The fiscal year 2005 budget request plans for the Navy's end strength to decline to 365,900, reflecting the decommissioning of older manpower-intensive platforms, improved training and employment processes, more efficient infrastructure manning and efficiencies gained through technology, new manning practices, and altering the workforce mix (including military to civilian conversions). A major effort is underway to accurately assess jobs, functions, and workload to aid in the drawing down of active duty end strength.

A variety of initiatives are required for an organization as large and complex as the Navy to effectuate the necessary force shaping. The Sea Warrior initiative serves as both the concept and the tool for maximizing personnel readiness by improving the assessment, assignment, training, and education of sailors. It aligns the skills, experiences, and capabilities of the worker to current and future jobs, and empowers the sailor to make informed career choices. The Navy is also actively employing optimal manning practices onboard certain vessels to reduce excessive crewing; experimenting with swapping out crews to extend ships' time on station and reduce in-transit sailing time; creating technologically-enabled learning and training programs to increase availability and cut costs; channeling personnel in overmanned ratings to those that are undermanned; and designing Navy systems that require fewer people to operate. One of the Navy's exciting new manning experiments includes U.S.S. *Coronado.* The *Coronado* is the first command ship manned by a mix of Navy and civilian mariner personnel to optimize personnel-function assignments. As Navy designs and deploys new ships, aircraft, and systems, we are paying serious attention to issues of operability and maintainability in the arena of Human Systems Integration to ensure that we can reduce the need for scarce and expensive manpower in the future.

3. Transforming the Reserve Force

Rebalancing the Mix of Active and Reserve Forces

The DOD's goal is to ensure that the Services are properly balanced between active and Reserve resources to ensure operational readiness for forward presence and surge capabilities. The global war on terrorism tested our surge capabilities for meeting rapid-response contingencies, and the Services ably applied judicious and prudent use of valuable Reserve assets. In the process, the Navy and the Marine Corps proactively took steps to immediately address imbalances that were identified, with particular focus in three areas: enhancement of early responsiveness; resolving stressed career fields; and the employment of innovative Reserve management practices. I would like to share with you several examples of what the Services are doing to rebalance the force mix and enhance Reserve mobilization.

Navy: Developed a plan for converting 525 vacant, non-hospital corpsman Reserve billets to active corpsman billets for assignment to Marine Corps combat units; streamlined and automated the mobilization process; established a new Reserve flexible drilling contracts program; combined active and Reserve recruiting commands; and developed a new concept that would allow rapid accessing of a limited number of key Selected Reserves through volunteerism. The Navy also rebalanced its Antiterrorism/Force Protection inventory in fiscal years 2003–2004 by adding over 7,200 new active component and over 1,800 Reserve component billets.

Marine Corps: Stood up an Air Naval Gunfire Liaison Company in the active component with two more planned for 2004–2005; developed the plan for establishing two additional Reserve military police (MP) companies and four new Reserve Antiterrorism/Force Protection companies; created the Intelligence Support Battalion to consolidate command and control of Reserve intelligence billets beginning as early as 2005; developed a plan for reassigning 93 active personnel from a Reserve component squadron to the Active Force in 2004; and embedded active component personnel (instructors/inspectors) in all Reserve component units.

To further enhance the integration of the Naval Reserve into the Navy mission, the Naval Reserve is undergoing a "redesign" based on a comprehensive study cosponsored by the former Vice Chief of Naval Operations (CNO) and myself. We have identified 14 key points for addressing in the redesign. The three main areas of focus are: Personnel Management; Readiness and Training; and Organizational Alignment. Implementation of the redesign transformation will more fully integrate the Reserves into Sea Power 21 and reservists into the Sea Warrior initiative.

CHALLENGES AHEAD

The Department has a good story to tell but we also acknowledge that this would not be possible without the help that we receive from this subcommittee and Congress. We need your continued support for full funding of our manpower and personnel requests, as well as flexibility to properly manage the force. Broad flexible authority to prudently manage our personnel, coupled with sustained funding for the SRB program and other programs targeted to specific skill shortages are critical tools that enable success. The information and infrastructure programs that support our personnel must also be funded. They will aid us in keeping the momentum going on our transformational efforts to optimize and maximize our human capital in support of Naval Power 21.

Diversity as Readiness Issues

The changes that require us to transform are occurring in an environment in which the demographics of the Nation and the force are rapidly shifting. As our people are developed as information-age workers—and we recruit and grow the whole individual—our organizations must be prepared to fully capitalize on their knowledge, experiences, backgrounds, and motivations. Today, the Department of the Navy is maturing in its understanding of human capital and the optimization of people in the workplace. Diversity is not simply a compliance program. We fully appreciate the fact that diversity is truly a readiness issue: we need to maximize our investments in every single individual, and we want our organizations to have the most robust personnel capabilities that can be drawn upon from American society. This means that our organizations, and our leaders, should reflect the broader society, and our people must be given the opportunity to thrive as they make their contributions in service to our Nation.

FULFILLING NAVAL POWER 21

In closing, I am grateful for having this opportunity to share with you the many new developments that are occurring in our Department today. We are successfully conducting our mission, fighting the global war on terrorism, and we are aggressively transforming for the future. We have one integrated human capital strategy focused on optimizing and delivering a total force to support our Nation's warfighting capability. Our manpower and personnel programs exist, and are aligned, to support Naval Power 21.

President Bush may have described our situation best, when in December 2001 he said: "What's different today is our sense of urgency—the need to build this future force while fighting a present war. It's like overhauling an engine while you're going at 80 miles an hour. Yet we have no other choice."

The Department of the Navy has the right sense of urgency and we are moving full speed ahead!

Senator CHAMBLISS. Secretary Dominguez, before we get to you, we have that last vote. We have about 5 minutes left. So we'll run and vote. We'll be right back, as soon as we can get over there and back.

Mr. DOMINGUEZ. Yes, sir. [Recess.]

Senator CHAMBLISS. All right. Secretary Dominguez, hopefully that's our last interruption, and we'll proceed immediately to you and look forward to your comments.

STATEMENT OF HON. MICHAEL L. DOMINGUEZ, ASSISTANT SECRETARY OF THE AIR FORCE FOR MANPOWER AND RESERVE AFFAIRS

Mr. DOMINGUEZ. Thank you, sir.

Mr. Chairman, thank you for this opportunity to meet with you and talk about Air Force personnel.

The Deputy Chief of Staff of Personnel, Lieutenant General Tex Brown, and I prepared and submitted to you a joint written statement for the record. In my opening oral comments, I would like to briefly touch on the highlights of that document.

First, the Air Force is a force under stress, but that stress is unevenly distributed across our force. Where it is felt most strongly, that stress is a manageable cause for concern, for watchfulness, for a careful and measured response. The strength and resilience of our force in its third year of the war on terror is a tribute to the investment in people this subcommittee made and sustained over the years. The Air Force is under stress, but it is not in crisis, in large measure because of your concern, attention, and leadership.

Second, Lieutenant General Brown and I, along with the Chief of the Air Force Reserve and the Director of the Air National Guard, have developed a comprehensive, coherent human resources plan that will guide our efforts to relieve the stress on our force and to transform that force so that it can more effectively meet the demands of the global war on terror. We have a plan, and we are executing to our plan.

Third, the NSPS is a critical component of our plan. The modern management concepts included within that system provide flexibility and agility needed to integrate our civilian airmen fully, completely, and seamlessly into our total force. The devil is in the details, of course, and we are working now with Dr. Chu to define those details in a way that will be fair to our civilian airmen, but they will also meet our national security needs. The NSPS puts the last piece of the total force in place.

Finally, our plan recognizes and emphasizes the value of people as our most important warfighting asset, as the key to successful dominance of air and space, and as the source of our combat power. It is in this spirit, with people at the heart of our actions, and in our hearts, that we are moving to attack the scourge of sexual assaults.

Thank you for the opportunity to be here today, and I look forward to your questions.

[The joint prepared statement of Mr. Dominguez and General Brown follows:]

JOINT PREPARED STATEMENT BY HON. MICHAEL L. DOMINGUEZ AND GEN. RICHARD E. BROWN, USAF

INTRODUCTION

Over the last decade, and especially in the past 3 years, America's airmen have responded to dramatic changes in our force structure and the world security environment. Since 1991, we have reduced our Active-Duty Force by nearly 40 percent—from 608,000 to 375,000—while remaining engaged around the world at levels higher than at any time during the Cold War. To prevail in a dangerous and ever-changing world, we have completely transformed our Air Force, from a heavy, forward-based presence designed to contain the Soviet Union and allied communist governments into an agile expeditionary force, capable of rapidly responding on a global

scale, with tailored forces ready to deal with any contingency. Since the attacks of September 11, 2001, that transformation has taken on an even more urgent and accelerated pace to respond to the world situation as well as our domestic security environment. This transformation has produced outstanding initial results. But the journey is just beginning.

Many challenges remain before us, but we believe we have our focus in the right place: towards the future. At the heart of our efforts is our plan to create an environment, and the associated tools necessary, to more deliberately develop airmen to be the leaders of tomorrow at all levels. This culture of force development extends across our force, encompassing officers, enlisted, civilians, and Guard and Reserve members. This developmental change is driving major cultural changes in your Air Force. Beginning with a common airman culture that embraces diversity of thought, diversity of talent, and diversity of background and experience. This culture emphasizes the manner in which professional airmen relate to each other, and includes a zero tolerance approach to inappropriate behavior of all kinds. Obviously, that encompasses a straightforward, determined approach to issues such as sexual harassment and sexual assault. We will do all in our power to prevent such behavior, root it out when we find it and apply appropriate justice while providing all the support we can muster to victims of this behavior. These issues, as tough and complex as they are, need to be fully embraced and understood at all levels of our force, to ensure every member of our team experiences the mutual respect, teamwork and esprit de corps they have earned and truly deserve. Our culture is grounded in our core values as airmen: integrity, service, and excellence, which form a solid foundation for the total force team—active duty, Guard, Reserve, and civilians.

We recognize the herculean effort put forth by all members of the force to defend America and her interests abroad. We recognize in particular the stress we have placed on members of the Air National Guard and Air Force Reserve. We are making every effort to relieve the stress on the airmen who make up those mission-essential forces, just as we are making every effort to relieve the stress on many of our active duty members in critical warfighting skills while we work to get down to our end strength objectives. As we respond to the many challenges we face, it is important that we take time to recognize and support the tremendous sacrifices made by Air Force family members, whose contributions to the overall Air Force team are as crucial as those of any other team members. Sometimes more so.

Finally, as airmen, we have taken a renewed look at the very real demands that our people must endure, as well as their long-term well-being. We have refocused our health and physical conditioning efforts to emphasize fitness for life, a vision, with the needed leadership behind it that recognizes the inherent relationship between physical fitness, mental acuity, and battlefield survival. Balancing all of these inter-related priorities is a complex task, and an important one. These priorities are extremely important to our force, to our culture of service, and to the Nation. We must get them right: to always be ready to respond to our Nation's call.

None of this would be possible without the exceptional support Air Force personnel receive from Congress. Over the last several years, you have approved significant advances in pay, benefits, and retention incentives for the men and women who serve in all of the military services. These initiatives have made a significant difference for the readiness of your Air Force and the quality of life of our members and their families. They improved retention and increased enlistments, essential to keeping the highly-trained professionals in the ranks. The poor retention we experienced in recent years has been reversed, a testimony to both your support and the patriotism of young Americans who join and continue to serve. But we have to keep our focus. As we've experienced in the past, positive retention trends are dependent on many rapidly changing dynamics and we can't afford to take our eyes off the ball. Thus, in the coming years we will continue to watch our retention of key warfighting career fields. The battle is not won. But we have made much progress.

In addition, we would like to thank Congress for taking the initiative to approve the Department of Defense's (DOD) National Security Personnel System (NSPS). NSPS allows us to modernize our civilian personnel management system to meet the unique demands of the national security mission. We believe NSPS is essential to the Air Force's ability to accomplish its air and space mission in these challenging times. NSPS' flexibilities will allow us to attract and retain "the right people for the right jobs at the right time," expedite military to civilian conversions, and quickly meet the ever changing demands for support of the global war on terrorism.

The Air Force enthusiastically and energetically supports NSPS and is committed to implementing it aggressively and responsibly. While some of NSPS' elements may be considered radical departures from current processes, it is critical that we are not diverted from moving forward on executing NSPS. Any delay will be detrimental

to our transformation efforts and our ability to move toward a more responsive posture.

This combined statement of both the Assistant Secretary for Manpower and Reserve Affairs and the Air Force Deputy Chief of Staff, Personnel, develops each of the themes just mentioned in greater detail. This statement represents our vision of the way ahead for Air Force people.

To place these issues in context, we will begin by discussing the Air Force core competency that directly affects every Air Force member: Developing airmen. This core competency is at the heart of our strategic vision for Air Force personnel.

DEVELOPING AIRMEN—RIGHT PEOPLE, RIGHT PLACE, RIGHT TIME

At the heart of our combat capability are the professional airmen who voluntarily serve the Air Force and our Nation. Airmen create air and space power. Our airmen turn ideas, tools, tactics, techniques, and procedures into global mobility, power projection, and battlespace effects. It is with this understanding that the Air Force embraced a new Personnel Vision and Strategic Planning Construct to help transform management of "airmen" across the total force (active duty, Air National Guard, and Reserve; officer, enlisted, and civilian).

We are refocusing our personnel processes and delivery systems on achieving the capabilities and creating the effects which produce for our Air Force the right people, possessing of the skills, knowledge and experience necessary to perform their missions at the right place and right time. This new vision succinctly states the role of our manpower, personnel, and training professionals: defining mission requirements; continually refreshing the pool to maintain an effective balance of youth and vigor, age and experience; deliberately developing the skills, knowledge and experience required by our combatant and support missions; sustaining the force by meeting the needs of our airmen and their families; and providing synchronized and integrated program management and service delivery systems.

Our strategic goals focus on the effects of the personnel mission and the specific capabilities our system offers to our airmen and their leaders:

Define: Implement a capabilities-based requirements system that meets surge requirements and optimizes force mix (active duty, air Reserve component, civilian, and contractors) to produce a flexible and responsive force.

Renew: Maintain a diverse, agile workforce that leverages synergy between active duty, air Reserve, and civilian components, and private industry to meet requirements and sustain capabilities.

Develop: Synchronize training, education, and experience to continuously create innovative, flexible, and capable airmen to successfully employ air and space power.

Sustain: Sustain required force capabilities through focused investment in airmen and their families

Synchronize: Implement a robust strategic planning construct, understand Air Force Human Resource investment, and link programming and legislative development to the plan

Deliver: Transform customer service by delivering a leaner, more cost-effective, customer-focused Human Resource Service to support the Air Expeditionary Force

The four overarching goals (define, renew, develop, and sustain) will serve as our framework for the written testimony that follows, just as they serve as the underlying framework for our personnel vision. In each of these areas we will discuss key issues facing the Air Force today, and what we are doing in each of those cases to look forward and ensure we are building the right force for tomorrow. (Note: The goals "synchronize" and "deliver" focus on the specific means by which we achieve the four overarching goals).

DEFINE

As we define the Air Force of the future we must determine our end strength needs, we must shape the force to meet those needs, and we must relieve the current stress on our most heavily stressed career fields. These are complex and interrelated issues. The process by which we approach this challenge involves how we manage our total force of Air Force active duty members, Air National Guard, Air Reserve, and Air Force civilians. It also encompasses the steps we are taking to relieve pressure on our Guard and Reserve Forces.

— End Strength:

During the last several years, the Air Force has brought thousands of sharp, motivated people into our ranks—essentially, those who wanted to serve in the Air Force

were welcomed. To meet end strength, we rolled up our sleeves and increased recruiting. Incredible patriotism prompted by the attacks on September 11, 2001, surged our growth and put us well above end strength. We are proud of the efforts of our outstanding Air Force professionals in the war on terrorism and are delighted that so many people want to be a part of our winning team. This very positive fact and the slowed economy have reduced what would have been normal attrition. In other words, not as many people left the Air Force in the last several years as we had anticipated.

As a result, for the last several years we have exceeded our mandated active duty end strength of 359,000. Air Force active duty military end strength (i.e. billets) are capped at 359,300 for fiscal year 2004, 359,700 for fiscal year 2005, and 360,000 for the years fiscal year 2006 through fiscal year 2009. The actual number of personnel assigned to the Air Force at the end of fiscal year 2003 was 375,000—approximately 16,000 personnel above our currently authorized limit. This is a temporary situation fueled by the global war on terrorism, and we are working to get in compliance. As we work to reduce the size of our Active Force by 16,000 people over the next several years, we will also work to reshape the force to correct existing skill imbalances and account for a new range of missions in the global war on terrorism.

Because we have more people in the Air Force than the number of our currently authorized billets, it has led some to ask: "Do we need to increase the size of the force to accomplish the mission especially with increased/extended mobilization?" The answer is that first we need to ensure that we are using the people we have in the most efficient and effective way. The Air Force and DOD are constantly reviewing end strength needs and we feel we have not exhausted all potential internal sources to address stress on the force. People costs account for a significant portion of the Department's budget—we feel strongly that the Air Force must exhaust all other possibilities before requesting an expensive increase to military end strength.

The Guard and Reserve Forces that support our total force team are designed to meet the Nation's call in times of crisis, such as the current global war on terrorism. Activation of the Guard and Reserve in times of crisis is not, in and of itself, a reason to seek an increase to end strength. As part of our review, we are taking a hard look at missions currently assigned to active, Guard, and Reserve in light of the foreseeable future requirements for conflicts. Our goal is to minimize the times the Air Force needs to call on the Guard and Reserve and to minimize the length of time they are activated.

— Shaping the Force:

The Air Force is planning to implement several measures to shape the force back toward our authorized end strength—knowing as we do so that we must also reduce the stress on many of our "over stressed" career fields. This will be a many step process, but our guiding principles will be simple. We want to properly size the Air Force to meet the needs of our Air Expeditionary Force (AEF) construct, our in-garrison requirements and our training requirements. We want to ensure that we draw down smartly, by specialty (and by specific year groups within those specialties) where we have more people than we need. At the same time, we want to correct our skill imbalances. But perhaps most importantly, as we shape the force we want to be sure that we avoid involuntary "draconian" measures that break faith with our people. With these guiding principles in clearly in view, we are taking a number of deliberate and very specific steps to shape the force.

In broad terms, we are addressing force shaping in two ways: first, by reducing personnel overages in most skills; and second, by shaping the remaining force to meet mission requirements. To reduce personnel, we will employ a number of voluntary tools to restructure manning levels in Air Force career specialties, while adjusting our Active Force size to our authorized end strength requirements. As we progress, we will evaluate whether we need to modify these steps, or implement additional force shaping measures.

We are taking a hard look at where our people are. We have airmen serving in jobs outside the Air Force who don't deploy as part of an AEF. Some of these, such as joint positions and some defense agency positions, require uniformed people, and we benefit by having an airman's perspective in those jobs. Others, however, may not require an airman or a military person at all. These are positions that we are working to legitimately reclaim into our ranks. By taking the steps to return these airmen "to the fold", we will ensure we have more people available to support our critical warfighting skills, as well as increasing the number of personnel available to support our AEF rotations overseas, which in turn will reduce stress on the rest of the force.

Until very recently, we had not implemented all the manpower cuts at unit level we agreed to during the 1990s. We've now made the adjustments in our books—over 13,000 positions eliminated—but we still need to move some of the people. That

means we have airmen with advanced training and professional skills filling positions that no longer exist.

The Air Force Deputy Chief of Staff for Personnel is overseeing a program that will move us toward our goal of getting our strength and skill mix right. This program includes initiatives such as restricting reenlistment in overage career fields, voluntary transfers from active duty to the Guard and Reserves, shortening service commitments, limiting officer continuation for those deferred for promotion, commissioning Reserve Officer Training Corps (ROTC) cadets direct to the Guard and Reserves, limiting reclassification of those eliminated from technical school, rolling back separation dates, and officer and enlisted retraining.

If at all possible, our goal is to give every qualified airman who wants to stay in the Air Force the opportunity to do so. In addition, we will use every tool to shape the force we have available to avoid the extreme measures used in the early 1990s, which undermined the morale and confidence of the force.

— Stressed Career Fields:

The events of September 11 and the subsequent increase in deployments to support a variety of operations around the globe have resulted in a significant increase in operations tempo and sharply accelerated the existing stress on the force. Complicating this problem is the fact that the additional stress is unequally distributed across the various Air Force skill sets. Nevertheless, the Air Force is working to level the stress across the force to an acceptable rate, albeit higher than pre-September 11 stress levels.

The DOD initiated 20,000 military to civilian replacements beginning in fiscal year 2004. The Air Force share was 4,300 of these.

The Air Force had also been working on realigning our military into stressed career fields that better address post-September 11 workloads. The Air Force has addressed reducing and balancing stress with numerous manpower and personnel initiatives. These efforts to relieve stress go back to the fiscal year 2004 Program Objective Memorandum (POM) when approximately 1,400 authorizations freed up by programmatic changes were redirected to security forces to address pressing security and force protection requirements. In addition, 1,110 initial accession/training students were redirected to stressed skills in fiscal year 2003—plus an additional 1,060 training redirects for fiscal year 2004. Currently, we are finalizing the required training adjustments for fiscal year 2005.

Significant technology solution purchases made during fiscal year 2003 are also offsetting manpower requirements. A security forces $352 million technology purchase reduced unfunded security forces manpower requirements by 3,000 (with 1,600 of these in the active duty) beginning in fiscal year 2004.

The Air Force will realign approximately 4,600 military positions to our most stressed career fields (such as security forces and intelligence) in fiscal year 2004 and fiscal year 2005. During fiscal year 2004, 1,800 military authorizations are being realigned from less stressed skill sets to more stressed career fields. In the fiscal year 2005 Presidents budget, the Air Force is dedicating an additional 3,800 military authorizations to relieve stress across the force in fiscal year 2005. Additional significant efforts are underway to further relieve and balance stress. We continue to work with defense agencies to reduce our total number of military positions in these functions, replacing them with civilians where appropriate. Collectively, these efforts provide examples of the kinds of steps the Air Force is taking to meet the Secretary of Defense's vision of moving forces "from the bureaucracy to the battlefield."

— Total Force Management—active, Guard, Reserve, and civilian:

Today we are also shaping what our total force will look like in the future. As we carefully review what each component brings to the fight, we work to ensure the best capabilities are retained and nurtured. Just as in combat overseas, we are continuing to pursue seamless Air Reserve component (ARC) and active duty integration at home, leveraging the capabilities and characteristics of each component, while allowing each to retain their cultural identity. We continue to explore a variety of organizational initiatives to integrate our Active, Guard, and Reserve Forces. These efforts are intended to expand mission flexibility, create efficiencies in our total force, and prepare for the future. Today's future total force team includes a number of blended or associate units that are programmed or already hard at work. The creation of the "blended" unit, the 116th Air Control Wing at Robins Air Force Base, Georgia, elevated integration to the next level. With an initial deployment of over 730 personnel, and significant operational achievements in Operation Iraqi Freedom (OIF), we are now examining opportunities to integrate active, Guard, and Reserve units elsewhere in order to produce even more measurable benefits, savings, and efficiencies. The reasons for this type of integration are compelling. We

can maximize our warfighting capabilities by integrating Active, Guard, and Reserve Forces to optimize the contributions of each component. Reservists and guardsmen bring with them capabilities they have acquired in civilian jobs, leveraging the experience of ARC personnel. As an added benefit, this integration relieves personnel tempo (PERSTEMPO) on the Active-Duty Force. Because ARC members do not move as often, they also provide much needed corporate knowledge, stability, and continuity. Finally, integration enhances the retention of airmen who decide to leave active service. Because the Guard and Reserve are involved in many Air Force missions, we recapture the investment we've made by retaining separating active duty members as members of the ARC.

— Relieving Pressure on the Guard and Reserve:

We are reviewing our Guard and Reserve manpower to minimize involuntary mobilization of ARC forces for day-to-day, steady state operations while ensuring they are prepared to respond in times of crisis. Since September 11, we've mobilized more than 62,000 Air Force Guard and Reserve personnel in over 100 units, and many more individual mobilization augmentee. Today, 20 percent of our AEF packages are comprised of citizen airmen. In addition, members of the Guard or Reserve conduct 89 percent of Operation Noble Eagle (ONE) missions. We recognize these demands have placed significant stress on our ARC forces, and we are taking steps to relieve the pressure on the Guard and Reserve.

In fiscal year 2005, we plan to redistribute forces in a number of mission areas among the Reserve and active components to balance the burden on the Reserves. These missions include our Air and Space Operations Centers, remotely piloted aircraft systems, combat search and rescue, security forces, and a number of high demand global mobility systems. We are working to increase Guard and Reserve volunteerism by addressing equity of benefits and tour-length predictability, while addressing civilian employer issues.

We are entering the second year of our agreement to employ Army National Guard soldiers for force protection at Air Force installations, temporarily mitigating our 8,000 personnel shortfall in security forces. As we do this, we are executing an aggressive plan to rapidly burn down our need for Army augmentation and working to redesign manpower requirements. Our reduction plan maximizes the use of Army volunteers in the second year, and allows for demobilization of about one third of the soldiers employed in the first year.

At the center of our efforts to relieve pressure on the Guard and Reserve are our efforts to use innovative personnel management initiatives to enhance flexibility and reduce involuntary mobilization. A number of these initiatives focus on promoting volunteerism among Guard and Reserve members. For example, relative to the aforementioned efforts to mitigate the security forces shortfall is the ARC Security Forces Augmentation Program. In December 2003 the Air Force initiated a prototype program to use ARC volunteers (of all specialties) to assist in installation force protection. The initiative allows ARC members to serve flexible tours as force protection augmentees, assisting in such duties as vehicle inspection and entry control. This centrally funded program allows commanders to access a ready pool of willing volunteers and enables reservists to augment their military skills.

We are also exploring a concept called Sponsored Reserve. This initiative involves a pre-contracted, voluntary agreement among the military, the ARC member, and industry to fill high-demand, critical skills that are honed in the civilian sector and that the Air Force requires for contingency situations.

An essential element in our efforts to promote volunteerism is to provide predictability via the AEF rotation schedule. Not only are ARC members integrated into a predictable total force AEF schedule, but units are also afforded flexibility through internal Guard and Reserve rotations for AEF support in the case of high-demand/low density specialties. For example, in executing the Commando Solo Special Operations mission, the Pennsylvania Air National Guard's 193d Special Operations Wing uses predictable 45-day rotations. In this way, even with a high operational tempo, members are afforded a high degree of predictability, which eases pressure on them, their families, and their employers.

There is no doubt that in the global war on terror, the United States Air Force has relied on the critical mission skills that our Guard and Reserve warriors bring to the fight. Simply put, we could not have accomplished the mission without them. But we also recognize that, in the long-term, we must make every effort to relieve the pressure on our ARC forces. Just as we must take steps to ensure the long-term health of our Active-Duty Forces, so too must we ensure the long-term health, combat capability, and career viability of our citizen soldiers in the Air Guard and Reserve. We are committed to doing so.

RENEW

Our focus on renewing our force will examine the issues of recruiting, retention, and diversity, and their overall effect on the health of our force.

— Recruiting:

To renew our force, we target our recruitment to ensure a diverse force with the talent and drive to be the best airmen in the world's greatest Air Force. We will recruit those with the skills most critical for our continued success. In fiscal year 2003, our goal was 5,226 officers and 37,000 enlisted; we exceeded our goal in both categories, accessing 5,419 officers and 37,144 enlisted. For fiscal year 2004, we plan to access 5,795 officers and as many as 37,000 enlisted. We are considering whether to reduce our recruiting goal below 37,000 enlisted this year to complement our overall force shaping goals. In fiscal year 2005 we plan to reduce new accessions from 37,000 to 35,600. In fiscal year 2006 they have been revised still lower to 34,600.

These measured decrements in our recruiting goals are part of our very deliberate effort to bring down the overall size of the force (to meet our end strength objectives) without jeopardizing the long-term health of the force by drastically slashing the number of our new accessions. As we learned after the post-Cold War drawdown when we slashed the number of accessions and associated training (we cut pilot training, for example, from 1,500 per year to 500 per year) we discovered that by doing so we build long-term structural personnel deficits into our inventory of trained personnel, with the result that shortages of particular year groups will be with us for up to 20 years. This time, in our efforts to solve a short-term problem, we are determined not to create a long-term problem of even greater significance. This is the one of the cornerstones of our approach to renewing the force in the environment of the early 21st century.

We also closely monitor recruitment for the ARC. Historically, the ARC—comprised of the Air National Guard and Air Force Reserve—access close to 25 percent of eligible, separating active duty Air Force members with no break in service between their active duty and ARC service.

Although we are currently meeting our recruiting goals and maintaining high standards for accessions, we need to keep our focus. Your continued support of our recruiting and marketing programs goes a long way to keeping the Air Force competitive in an uncertain job market. We are mindful of our experience of a decade ago. In a period when recruiting and retention looked positive, we allowed our recruiting investments to lag behind the growing challenges of the market place and found ourselves chasing a "sine wave." In the past several years, we reversed course and made the investments needed to tune our recruiting engine. We need to sustain that engine now with proper care and maintenance. Additionally, these investments contribute to improved esprit de corps within our force, and further our efforts to retain the right people and shape our force for the future.

— Retention:

The Air Force is a retention-based force. Because the skill sets of our airmen are not easily replaced, we expend considerable effort to retain our people, especially those in high technology fields and those in whom we have invested significant education and training. In 2003, we reaped the benefits of an aggressive retention program, aided by a renewed focus and investment on education and individual development, enlistment and retention bonuses, targeted military pay raises, and quality of life improvements. While we are still grappling with skewed retention numbers affected by Stop Loss in 2002, we are nevertheless seeing very positive signs overall. Our officer retention rates for fiscal year 2003 and so far in fiscal year 2004 are above previous years. For the enlisted force, our retention is healthy, but we must continue to actively manage our force. Our current first term retention rate is 67 percent which is well above our goal of 55 percent. For second term, we are on the mark with 75 percent and we are exceeding our 95 percent goal with 98 percent of our career airmen being retained.

Part of our ability to succeed in our recruiting and retention efforts stems directly from our ability to offer bonuses and incentives to groups where we have traditionally needed the extra help. Our retention efforts reflect what has already been stated about recruiting: Our efforts right now are paying dividends for the Air Force and we must sustain this trend for the future. We fully recognize our ability to offer bonuses is a valuable and scarce resource, which is why we've ensured active senior leadership management in these programs, including semi-annual reviews of which career specialties, and which year groups within those specialties, are eligible for bonuses.

— Diversity:

In this new era, successful military operations demand much greater agility, adaptability, and versatility to achieve and sustain success. This requires a force comprised of the best our Nation has to offer, from every segment of society, trained and ready to go. In the Air Force, the capabilities we derive from diversity are vital to mission excellence and at the core of our strategy to maximize our combat capabilities. Our focus is building a force that consists of men and women who possess keener international insight, foreign language proficiency, and wide-ranging cultural acumen. Diversity of life experiences, education, culture, and background are essential to help us achieve the asymmetric advantage we need to defend America's interests wherever threatened. Our strength comes from the collective application of our diverse talents, and is a critical component of the air and space dominance we enjoy today. We must enthusiastically reach out to all segments of society to ensure the Air Force offers a welcoming career to the best and brightest of American society, regardless of their background. By doing so, we attract people from all segments of society and tap into the limitless talents resident in our diverse population.

DEVELOP

Over the past year, the Air Force has implemented a new force development construct to get the right people in the right job at the right time with the right skills, knowledge, and experience. Force development combines focused assignments and education and training opportunities to prepare our people to meet the mission needs of our Air Force. Rather than allowing chance or happenstance to guide an airman's experience, we will take a deliberate approach to develop officers, enlisted, and civilians throughout our total force. Through targeted education, training, and mission-related experience, we will develop professional airmen into joint force warriors with the skills needed across the tactical, operational, and strategic levels of conflict. Their mission will be to accomplish the joint mission, motivate teams, mentor subordinates, and train their successors.

One of the first steps in implementing our development efforts was the creation of individualized development plans. These plans are a critical communication tool capturing the member's "career" development ideas, including desired career path choices, assignment, and developmental education preferences. These plans are routed through the chain of command, to include their most senior commanders, for endorsement. The newly created Development Team (DT), comprised of senior leaders from the functional community, carefully reviews each individualized career plan, along with commander's comments, and Senior Rater input. Targeting Air Force requirements, the teams place a developmental "vector" into the plan as input for our assignment teams, and immediate feedback to the member and commander regarding their expressed development plans. Assignment Teams match members to assignments using DT vectors; thus, "developing" our people to meet Air Force requirements.

This year also saw a continued focus on Developmental Education (DE) with continued expansion to include not only traditional Professional Military Education (PME), but also advanced academic degree programs, specialty schools, fellowships, education with industry, and internships. Our development teams are using the individualized development plans, along with the member's record and Air Force requirements, to make educational recommendations to the Developmental Education Designation Board. This board designates the right school for the right member at the right time. Intermediate DE and Senior DE prepare members for a Developmental Assignment (DA) following the respective schools. This two-dimensional process facilitates the transition from one level of responsibility to the next. All developmental education assignments are made with the emphasis on the best utilization the member's background, functional skills, and valuable time.

One of our most recent development efforts has been broadening the focus to include our enlisted corps. Beginning with the next promotion cycle, we will stand up a new top-level course of enlisted PME designed specifically for those selected to serve as Chief Master Sergeants. The course will focus on leadership in the operational and strategic environments, and will constitute a substantial leap forward in the development of our chiefs.

Another segment of warriors requiring special attention is our cadre of space professionals, those that design, build, and operate our space systems. As military dependence on space grows, the Air Force continues to develop this cadre to meet our Nation's needs. Our Space Professional Strategy is the roadmap for developing that cadre. Air Force space professionals will develop more in-depth expertise in operational and technical space specialties through tailored assignments, education, and training. This roadmap will result in a team of scientists, engineers, program man-

agers, and operators skilled and knowledgeable in developing, acquiring, applying, sustaining, and integrating space capabilities.

The bottom line of our force development efforts is to provide an effects and competency based development process by connecting the depth of expertise in the individual's primary career field (Air Force Specialty Code) with the necessary education, training, and experiences to produce more capable and diversified leaders. Every aspect of the total force development construct develops professional airmen who instinctively leverage their respective strengths as a team. The success of this effort depends on continued cultivation and institutional understanding of and interest in force development, promoting an understanding of the competency requirements of leaders, and funding for the associated development initiatives.

SUSTAIN

Under this final area of our strategic goals, we will focus on two issues of great importance to the health of our force: quality of life (QOL) for our Air Force members (to include their families), and physical fitness.

— Air Force QOL Program:

A cornerstone of the Air Force's efforts to sustain the force centers on the "Air Force QOL Program." In the Air Force we define QOL as a system of networks—formal and informal—leveraged by leadership to provide superior support and services to our total force members and their families. We assess Air Force QOL based on the level of satisfaction of our service members in eight areas: compensation and benefits, workplace environment, OPTEMPO and PERSTEMPO, health care, housing, community, and family programs and educational programs.

The most recent Chief of Staff of the Air Force (CSAF) QOL survey was a good news story for Air Force QOL initiatives. The survey validated the current Air Force perspectives on QOL priorities. The overall response rate to the survey was 45 percent, the highest in the past five survey administrations. Air Force senior leaders use the QOL survey data to establish working priorities, develop or update Air Force policy, build justification for new legislative initiatives and budget plans and establish new road maps to improve Air Force QOL.

The Community Action Information Board and Integrated Delivery System processes have made great progress in providing families access to the services the need vice trying to fit their needs around an existing menu of programs. The Air Force, in conjunction with DOD and the other Services is launching "OneSource" a service that provides families with 24/7 access to information through a Web site and 1–800 call-in number. The 1–800 number is staffed with highly-trained personnel who can rapidly assess the needs of those who call and match them to the services they need.

One additional highlight of our QOL focus is housing investment. Through military construction and housing privatization, we are providing quality homes faster than ever before. Over the next 3 years, the Air Force will renovate or replace more than 40,000 homes through privatization. At the same time, we will renovate or replace an additional 20,000 homes through military construction. With the elimination of out-of-pocket housing expenses, our Air Force members and their families now have three great options—local community housing, traditional military family housing, and privatized housing.

— Physical Fitness:

The final area we will examine concerns our new vision for the physical health and fitness of our force. The reasons for this emphasis are a reflection of our change in culture, and the realities of the world situation. Today's demanding missions require Air Force personnel to deploy for long periods of time away from family, sometimes to austere conditions to work long hours in extreme temperatures. With those demands comes a renewed focus on the health and fitness of our Air Force. We have instituted new standards and regulations that require leadership at every level to take responsibility for a fitness standard that prepares our airmen for the rigors of the mission.

The increased recognition of the fitness impact on readiness has driven emphasis on fitness center repair and construction. We will continue to aggressively provide the necessary resources to support and maintain all areas of fitness, including construction, equipment and training. These facilities, coupled with the focus of unit leaders, will give our airmen the means to maintain and improve their health and fitness, ensuring our force is "fit to fight" now, and in the future.

CONCLUSION

The Air Force team is moving into the 21st century assured of only three things: That the challenges will be great, that the resources given to us by the American

people—to include their sons and daughters—are resources that require our best possible stewardship, and—most importantly—that superior leadership will be indispensable. We are committed to providing the Nation with the best-trained, best led, personnel on the planet. It's that simple and that important.

Senator CHAMBLISS. Thank you very much.

Dr. Chu, this morning at a hearing with the Service Secretaries, Senator Warner expressed concern to them about the cost and budgetary impact of the increases in pay and benefits. The context in which the question was asked was with respect to new benefits, such as TRICARE or retired-pay benefits for Guard and Reserve members. I'd like each of you to address that issue as to whether or not you see the increase in benefits for our Guard and Reserve as putting pressure on your particular budgets that you're going to have difficulty handling.

Dr. Chu, I'd like to start with you to get your comments.

Dr. CHU. Thank you, Senator. I appreciate your raising this important issue.

I believe that we have to watch very carefully the balance among the various elements here, the balance between benefits to those who are in service right now, who are the ones we are most concerned with attracting and retaining, balanced against those who have left the Service, whether retired or having departed earlier than retirement. It is also balanced, as you suggest, between the active and Reserve components of the force. We are concerned that some proposals that we have seen others make would up end that set of balances, and we want to be careful to ensure that there is a strong incentive to active service. If we make Reserve service benefits the same as active service, then there isn't that kind of incentive, and I think that's the future that we want to be careful about here as we go about designing the best program to sustain a volunteer force.

The Secretary is very concerned with the growth over the last 5 or 6 years of entitlement or entitlement-like benefits that accrue principally to those who have left the Service, especially the retired community. Those are meritorious programs. The Nation adopted them for good reason, but they are posing a significant cost issue for future defense budgets. I think we want to be careful, in the present era, to focus our attention, to the extent we make further changes, on what we need to do for the active force, those currently serving.

Senator CHAMBLISS. Secretary Brown.

Mr. BROWN. Yes, Mr. Chairman. I'd like to follow up on Dr. Chu's statement about balance.

When you talk about healthcare benefits for the Reserve components, of course when they're on active duty they get the same benefits as active-duty personnel. When they're not on active duty, the rationale that we saw in extending some benefits was to deal with the medical readiness issue. When we had these recent mobilizations, there were significant numbers of personnel that were not deployable; they hadn't had a physical in 5 years. So in the effort to address the readiness issue, I think the benefits discussion got kind of mixed up in it. The readiness issue needs to be addressed. The benefits subject is a separate subject.

Senator CHAMBLISS. Secretary Navas.

Mr. NAVAS. Sir, this is one of those tough issues that we try to deal with on almost a daily basis, striking the right balance between the benefits of those who are willing—especially in the Reserves—to come and serve their country in time of need, and then basically the cost of these benefits that are sometimes perceived as entitlements. These start crowding the investment account and the operational accounts. One of the reasons for our human-capital strategy that I espoused in my statement and my opening remarks is that basically we need to, in the case of the United States Navy, per se, leverage technology and try to minimize the personnel costs. If you take an aggregate of most of the personnel-related costs and the direct payment for retirement medical benefits, pay and allowances in that, it takes almost 70 percent of the Navy's budget. These costs are expected to grow.

So we are looking very closely at how we can strike that adequate balance, where we take care of those who serve, but not do it in a way that we might wind up like Bethlehem Steel.

Senator CHAMBLISS. Secretary Dominguez.

Mr. DOMINGUEZ. Sir, I'd answer this question by first recognizing the invaluable contribution the Air Reserve components make, not just to the global war on terror, but to the day-to-day operations in the United States Air Force. They are so totally integrated into what we do, we cannot do our job without them.

That said, I'll go back to what I said in my oral comments. We are not overusing them. There are elements or aspects of that force that we're flogging pretty hard, but they're not being overused. We need to temper our enthusiasm with some real facts about the level of use of the Guard and Reserve—again, understanding the real commitment that they make.

As to the benefits, we would approach this calculus looking carefully at any increases in benefits in terms of the shaping the force, helping the Guard and Reserve adapt to the demands of the future. For example, one of the things I'm trying to push pretty hard is trying to understand how changes in the benefits compensation package might increase the amount of volunteerism that we get so that we don't have to keep relying on this mobilization tool. So I would like to look at any potential increase in benefits in that kind of light.

Senator CHAMBLISS. Okay.

We are pleased to have been joined by Senator Dole, as well as the ranking member of the full committee, Senator Levin. Both these Senators have provided strong leadership on personnel issues, and we're pleased to have both in here. I think Senator Levin has a comment he would like to make at this time.

Senator Levin.

Senator LEVIN. Mr. Chairman, thank you for allowing me to go out of order here just with a very brief statement on one aspect of your hearing this afternoon. I just want to take a moment to address the issue of the DOD's proposed implementation of the new civilian personnel system.

Last year, our bill included a provision authorizing the establishment of the NSPS within the DOD. This is a very hard-fought compromise, which Senator Collins led and our chairman was instru-

mental in fashioning. Other members of our committee were involved in it, as well.

It now appears that the DOD is ignoring the limited protections that we wrote in for DOD employees and their representatives. In particular, the law requires the DOD to work with the OPM on the development of the new personnel system. It is my understanding that the DOD developed its initial proposals without any input from the OPM.

Two, the law requires the DOD to ensure that employees have the right to collective bargaining. The DOD's initial proposal is that it will talk to the unions if it wants to, but it doesn't have to listen to what the unions have to say, and it won't be bound by any agreement that may be reached. That is not my definition of collective bargaining.

Third, the law expressly prohibits the waiver of the employee protections in chapter 71 of title 5. The DOD proposal turns this provision on its head by saying that, "The new NSPS labor-relations system will not employ any provisions of 5 USC Chapter 71." So the waiver is prohibited, but the proposal of the DOD says it's not going to employ any provisions of the chapter which cannot be waived.

The Department of Homeland Security (DHS), Mr. Chairman, spent more than a year developing proposals in close consultation with employee unions and other interested parties in this area. The DHS presented a broad range of options, solicited views on all of the options, developed a proposed system based on elements of the various options, and promised continuing discussions before the new system is finalized. The DOD, by contrast, presented a single approach right out of the box, without consultation in advance with anybody outside of the Department. This creates the appearance that the DOD had already decided where it wants to go and used the consultative process as a formality.

The DOD's approach, so far, is needlessly confrontational, and risks seriously undermining labor-management relations in the DOD. If the leadership of the DOD has a serious interest in fostering a constructive relationship with its civilian employees, they're going to need to start over and pursue a more collaborative approach and a more constructive solution to these issues.

Again, Mr. Chairman, thank you for allowing me to make a very brief opening statement, probably out of turn.

Senator CHAMBLISS. That is quite all right. Senator Levin, I will tell you Secretary Navas made some brief comments relative to this in his opening statement, and, of course, Dr. Chu has been very much involved. While we're on this subject, if either of you want to make a comment at this point in time on that particular subject, we'd welcome it.

Dr. CHU. I'd be delighted to. Let me emphasize, we have not come to any conclusions here. We have just started the process of collaboration with the unions. We met with the unions for the first time, as the statute required, on January 22. We invited the unions to present their proposals in regard to collective bargaining. The unions declined and asked the DOD to put some concepts forward, which we did on February 6. I should stress, these are concepts. This is not an answer, not a solution, not a decision.

We had a 2-day meeting with the unions, which OPM co-chaired with us. I'm hopeful that it'll provide the foundation for constructive bargaining, just as Senator Levin has called for. We have a considerable amount of work ahead of us. We have no illusions on that point.

These are hard issues, and this is, as the underlying statute calls for, a different approach—I believe the words the statute cites are "collaborative issue-based," which is not the way this relationship has been constructed in the past. I recognize that defining what that means specifically, and how it's going to proceed so we can get to a different place, is going to be challenging. But we are ready for that, we are eager to participate in that, and we look forward to these further meetings.

Senator CHAMBLISS. Secretary Navas, do you wish to add anything?

Mr. NAVAS. I defer to Dr. Chu. Secretary England volunteered the Navy to take the lead in the DOD because we see NSPS as a fundamental piece in our human resources transformation effort in the Navy. We are working very diligently. We have stood up a program management office and we have a senior advisory group, which is comprised of most of the Senior Executive Service individuals in the Department of the Navy. I chair a steering committee with the other assistant secretaries and the vice chiefs of the Services to make sure that we implement this in an effective and timely manner, because it's a fundamental piece of our strategy.

Senator CHAMBLISS. Secretary Brown, in October of last year we learned of problems with the Reserve and Guard personnel at both Fort Stewart and Fort Knox. They had been mobilized, or they were in the process of demobilization, but they were put on hold under unsatisfactory living conditions due to delays and medical disability evaluation. We're now in the process of continuing to rotate our men and women out of Iraq. While the numbers may not be as large, there are still pretty significant numbers being rotated in and out. What steps has the Army taken to ensure that the situation we had last fall does not happen to guardsmen and reservists in the future, particularly as they do rotate out of Iraq? What's the Army doing to ensure the medical readiness of guardsmen and reservists, who are supposed to be mobilization-ready and who are counted as mobilization assets?

Mr. BROWN. Well, thank you, Mr. Chairman.

The situation at Fort Stewart called our attention very vividly to the problems that were associated with the medical situation in the Reserves. As of October 25, there were 4,400 Reserve component medical holds. Forty percent of those became medical holdovers at the mob station and could not deploy. This highlighted the problem of medical readiness for us, which we all became aware of.

Nevertheless, there was a need to deal with that problem. They were experiencing extended waits. Their billeting was inadequate, and there was the perception of unequal treatment and an unresponsive chain of command.

Secretary Brownlee addressed this situation very vigorously. He established a set of standards that all of our commands were supposed to meet. On the medical side, it required a 72-hour consultation period, 1-week of diagnosis, 2 weeks to surgery, and 30 days

before a medical evaluation board. On the billeting side, he directed that the billeting be commensurate with the billeting available to a permanent party on the post. Now when people are moving through the mobilization stations, they're not planning to stay there that long. It's 2, 3 weeks, and then they're on their way. These people in medical hold, sometimes they have to stay a little longer because it takes awhile to deal with their problems. For those people, the requirement was that they have billeting comparable with a permanent party, which includes climate control, indoor latrines, privacy, and security.

These programs are well underway as we speak. We have increased the medical infrastructure, increased the number of physicians and case managers, and upgraded the billets. We've spent $15.7 million to do that. We've established dedicated chains of command for these people. About 6 months ago, we authorized the 25-day rule, which deals with people coming on mobilization. They are checked out. If they're medically unfit within the first 25 days, they're released from active duty.

Currently, we have 1,582 of that original 4,450 still in a medical hold status. They have problems that need to be dealt with. But they're in the right kind of billets. We've been offered support from the Navy, the Air Force, and the Department of Veterans' Affairs (VA). All of those resources are available for us to deal with medical hold as the people that are coming back from Iraq now come through. We think we're on top of the problem, as we speak now, sir.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

I am concerned, with respect to the NSPS, that the effort to put in place a system that is consistent with what Congress intended is accomplished. I understand that you're in the midst of putting together this plan, in consultation with the collective bargaining units, and I hope that the discussions that occur right now about unilaterally superceding collective bargaining agreements will be taken very carefully and very cautiously, because it undermines the whole concept, and that clearly was not the intent of Congress.

The second thing is, currently DOD has submitted a proposal that would allow it to interfere in internal union procedures by requiring unions to provide a new fee-for-service arrangement for employees who do not wish to join unions, but like union representation on specific matters. How do these changes in any way advance the DOD's national security mission? I understand that what we were trying to do was to cut through existing processes and systems to advance the national security mission, but I'm not sure I understand how this particular one would do that. What is the relationship between national security interests and this particular provision? The others have to do with the personnel system in one way or the other. This one catches me cold.

Dr. CHU. I'm delighted to be able to address these two questions, sir.

First of all, let me stress that we have not put a formal proposal forward. We have merely put on the table, as the unions requested, a set of ideas as a place to begin the dialogue. You have to start someplace. You have to have some point of departure.

Second, on the fee-for-service issue, we were trying to respond to what we understood to be a longstanding union complaint that there are a significant number of individuals who are covered by agreements, but don't pay anything to the union, yet the union has to service their needs. So we tried to reach out with this proposal. Clearly, what I conclude from the reaction of the union leaders thus far is, they're not interested. If that's true, fine, we have no agenda to pursue that, except insofar as they would find it advantageous.

Senator BEN NELSON. I'm still not sure I see where it has anything to do with national security interests.

Dr. CHU. Well, I think the connection, sir, is, as the statute emphasizes, and as I think the contemporary approach to bargaining with union leaders would underscore, is to get to a collaborative issue-based process. To replace the old loggerhead if-I-gain-something-you-have-to-lose-something philosophy, which is what we're trying to move away from. We think it interferes with the national security issue because it becomes virtually impossible to get certain commonsense things accomplished—like, for example, drug testing. The United States Air Force still has a few places where we have not successfully bargained that issue, and yet that is central to our ability to ensure the performance of our personnel and the security information that they must deal with, and the systems with which they must work. So we're trying to replace that construct with one that is more constructive.

In that spirit, knowing this was a longstanding issue with some of the unions, we offered this as one of the things—we were basically saying, with this concept, by putting it on the table, we're ready to go there if that would be helpful to a better relationship. That better relationship, in our judgment, is the underpinning of a different approach to using Federal civil servants in support of the national security mission. An approach that's more effective, that makes the civil service the first choice of leaders when it comes to new issues, just as we've had a whole set of new issues since September 11, 2001. That's the agenda, that's the connection. But if that's not helpful, from their perspective, we have no particular reason to promote it.

Senator BEN NELSON. In other words, if they say no, then that's——

Dr. CHU. If they say no, it's off the table.

Senator BEN NELSON. All right.

As everyone knows, there will be an election this fall, and we've worked very carefully to try to improve the ability and the capacity of our military to vote when they're not at a station that would permit them to vote at home. The National Defense Authorization Act for Fiscal Year 2002 required the Secretary of Defense to conduct an electronic voting demonstration project for the 2002 Federal elections, unless delayed to 2004. The Secretary of Defense exercised authority to delay until the upcoming election. But the DOD recently announced it's canceled plans to allow military personnel to vote online in the November 2004 elections, based upon a determination that Internet voting could not be carried out securely. How do we have compliance with the statutory requirement in

light of what the Secretary of Defense's position is with respect to this?

Dr. CHU. We will carry forward, to an appropriate point, the exploration of technologies involved, which I think was the heart of the statutory direction. The conclusion that was reached is that the issues that had been raised about the security of voting in this environment were so fundamental to confidence in the process that we could not, in good conscience, use this approach in this particular election. But we are committed to honoring the statutory direction. This does create some tension, I recognize, and I think that's the importance of your question. We'd like to work out a solution between the integrity of the voting process and the confidence of our people and the Nation in it, and the statutory direction that is comfortable, from the committee's perspective.

Senator BEN NELSON. Well, if we're unable to effectively and securely implement electronic voting to facilitate the process, are there other avenues that the DOD is undertaking to try to improve the situation so we don't have in 2004 what we had in 2000? In that election, there were questions about the military being second class in terms of not knowing whether they could vote or whether their votes really got counted in the process.

Dr. CHU. Absolutely, sir. We've undertaken a number of improvements, starting with emphasis on the importance of the voting officer in each unit taking his or her responsibilities very seriously. I think that's the core of success. That officer has to ensure that everybody gets his or her materials, because they come from different States around the Union, and different processes are involved. We have taken a variety of steps to ensure that the returning mail is processed promptly, which was one of the issues before, and that the necessary postmarks are there. That is important from the State law perspective.

I believe that we will be in a much stronger position for this election than was true in prior elections.

Senator BEN NELSON. I thank you, Mr. Chairman.

Senator CHAMBLISS. Senator Dole.

Senator DOLE. Dr. Chu, since September 11, 2001, 21 North Carolina National Guard units have been mobilized. Of those, only one unit was given anywhere close to a 30-day notice. With the announcement of the OIF 2 rotation, the 37th Enhanced Separate Brigade received their orders 4 days prior to mobilization date. While I understand the urgent requirements immediately following September 11, this holding of notice orders for an anticipated rotation is unacceptable, especially given the additional preparations required for our citizen soldiers. What is being done to address this ongoing problem?

Dr. CHU. We agree with you, ma'am. That is unacceptable. As you look at the alert orders for the next set of units, the units that will go to OIF 3, you are going to consistently see at least 30 days between alert and mobilization. We have just announced—Mr. Brown could fill in the details here—the Guard units that'll be participating in that rotation.

We can't do anything about the past. I regret that. We understand the inconvenience. I will note that, in general, unit commanders did know somewhat in advance of those dates. But that's

informal, that's not adequate. You're absolutely right, that's not where our standard should be. It's not where our standard is. I think with the coming rotations, we will be able to honor the 30-day window.

Senator DOLE. Let me ask you about Guard and Reserve recordkeeping.

Dr. CHU. Yes, ma'am.

Senator DOLE. Just last month, a National Guard member from my State was charged as absent without leave (AWOL) for not attending a monthly drill. This particular individual was actually serving in Iraq. All charges have been dropped. But this, on top of numerous pay issues, indicates a systemic personnel accounting problem. National Guard recordkeeping needs to be a responsive, integrated subsystem of the overall DOD database. Once again let me ask you, what is being done to correct the problems that are evident within the personnel accounting systems of our Reserve Forces?

Dr. CHU. Ma'am, you're absolutely right, this is unacceptable. It does parallel, I think, General Schoomaker's untimely demise in the Army pay system, which you may have read about. They assumed, since he disappeared from the retired rolls, that he had passed away, since it's normally the only way you move off.

All levity aside, we recognize it's a serious problem. That's why this administration has put substantial funds into what we believe is the future solution, the Defense Integrated Military Human Resources System (DIMHRS). This is an integrated pay and personnel system, with one set of records, a common system for the entire DOD, one common system for Guard, Reserve, and active. It will give the combatant commander much better visibility into the skills of the people that can be called on to fulfill his or her needs. But we believe it will deal decisively with the issues that you have properly raised, which represent an unacceptable standard of performance, as far as DOD is concerned.

The software underlying our current financial system is old, and it is creaky. It is composed of many patches, which, when you make the latest adjustments, cause sometimes new problems that you can't anticipate. We plan to stand up the first elements of the DOD in the DIMHRS in the first quarter of 2006. I know that's a year-plus away. I merely have to ask for everyone's patience as we go forward. I will be delighted to act on individual cases as you bring those to our attention, and we'll fix these problems one by one. The systemic solution, though, is the advent of DIMHRS in the first quarter of 2006. It will deploy across the DOD over approximately a 2-year period.

Senator DOLE. Okay.

Mr. Chairman, as you noted, personnel issues have been of particular concern to me, especially the welfare of our military family. So let me ask all of you a couple of questions in that respect. It's certainly a key to the success of our All-Volunteer Force.

I want to first of all take this opportunity to thank the countless volunteers in the military family advocacy mission, who have done such a tremendous job over these past months. How are your Services formalizing the family advocacy mission, and how is this mission included in your transformation vision?

Then let me just add to that, as you're answering this, given that our current deployments are drawing heavily on Guard and Reserve Forces, what are you doing to ensure necessary and appropriate support for all families, especially for those who are out in rural areas and not anywhere close to military installations where they would have more of the regular support?

Dr. CHU. Let me offer a brief comment, if I may, and we perhaps should turn to Secretary Brown for his detailed views from the Army. We have created approximately 400 Reserve family outreach units to deal specifically with the problem that you have raised. I think even more effective over time—and by the end, I hope, of this year—we'll have the entire DOD on what we call Military OneSource—that's to say, a 1–800 number available 24 hours a day, 7 days a week, in which a master's degree-level expert is available to deal with the family's issues, whatever they might be. The Marine Corps was willing early to try this out for us. There are skeptics in the DOD as to whether this will work. I think Mr. Navas ought to speak to this. It's been a terrific success. The Marine Corps is enthusiastic and will be the first service to be completely on it. The Air Force and the Navy are starting on this, and the Army is partway there, but perhaps Mr. Brown would like to add a few words about what the Army is specifically doing.

Mr. BROWN. Well, the only thing I'd like to add to that is that there are stay-behind detachments at every base where units are deployed from, and we've put a lot of emphasis recently on ensuring that those stay-behind detachments include the Reserve units associated with that deployment. For example, at Fort Hood, we have the 39th Enhanced Brigade. We've worked diligently with the people at Fort Hood to make sure their family action program includes the 39th. That doesn't cover everything, but it's a big start, and it's a big step up. I've visited those bases and talked with the spouses that were engaged, and it seems like it's well underway, and it is the same thing at Fort Bragg. So that's what we're doing, in addition to the things that Dr. Chu has mentioned.

Mr. NAVAS. In the case of the Navy and Marine Corps, since they deploy routinely, this issue has been something that is a part of life of the Navy and Marine Corps community, where the members deploy, there are solid family support programs both run by the Personnel Chiefs out of Millington and Quantico.

We learned some lessons in Operations Desert Storm and Desert Shield, especially with mobilizing reservists, and we've come a long way in our Reserve family support. That's DOD-wide, and in particular with the Services. Of course, we have and are again leveraging technology. I'm starting to sound like a broken record here, but I think this along with this pilot program that the Marine Corps has done—and I would suspect that Lieutenant General Garry Parks, the Deputy Commander for Manpower Reserve Affairs in the next panel, could espouse a lot more details on how well that is working.

The Navy had a Web site called Lifeline that is still in operation where family members can go in and get information all the way from medical benefits to Reserve benefits.

So this is something that we take very seriously, and especially when we have a very young, married force that, as they deploy, we

need to take care of those family members. So this is something that we take very seriously.

Senator DOLE. Thank you.

Mr. DOMINGUEZ. The Air Force, too, has, over the last 10 years, adapted to become an expeditionary force. We don't have the 200 years of history that the Navy and Marine Corps team does, but we're learning fast. Part of what we learned is that in an expeditionary force, the responsibility for families is a command responsibility. Commanders own this program, and they have a cross-functional support network, called the Community Action Integration Board (CAIB) that works for them. This is at every Air Force installation, at every Air Force major command. That board is specifically chartered to find out what family needs are and get resources to them, oversee the operation of all the different aspects of family support, and make sure that those different stove-pipes are talking to each other in support of families. That happens at the Reserve bases, as well as at the active bases.

In our Reserve organizations, we have a much larger component than our sister Services of full-time support. Included in that full-time support is a director of family support services, so there's somebody chartered there to manage this issue full time for the Reserve components. The next issue is that we deploy differently, so it would be very rare to take up an entire U.S. Air Force Reserve or National Guard unit and move it. There's a lot of the infrastructure and a lot of the core operations of that Reserve base—well, a piece of it has been deployed. All that support structure is out there, aware of family needs, and working to keep the families together.

Then the final thing is that we do have also these geographic-independent ways of reaching out to people and establishing networks. Air Force Crossroads is a Web site. The chat room is available to people. OneSource, as well, is a 1–800 number. So there are lots of different ways we do this for our families.

Senator DOLE. Thank you very much.

Thank you, Mr. Chairman.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

One further question regarding phone-home fees. A family support group president for a deployed National Guard unit has informed me that soldiers have to, in many cases, wait in line 3 to 4 hours to use the phone for 15 minutes, and when they do get their calls through, they're charged a connectivity fee that ranges from $6.95 to $8.95, based on the particular calling card they're using. After that, they're charged a fee that ranges from $4.95 to $5.95 per minute, again depending on the calling card.

Now, last year's authorization act required that the service members serving in Operation Enduring Freedom (OEF) and OIF be provided, without cost, prepaid phone cards, or an equivalent telecommunications benefit, not to exceed $40 or 120 minutes. That isn't quite going to make it, clearly. Can you give us some information about these connectivity fees and/or the per-minute charge schedule that they're receiving and see how that's going to score? Apparently we haven't gotten the $40, that probably is not going to go very far, given these fees—but we haven't even done that. So

maybe you can give me some clarification. Dr. Chu, do you want to pass it off?

Dr. CHU. Perhaps my colleagues have some more information. I am surprised at numbers in that range, given what I know of the telephone program.

Senator BEN NELSON. I am only told this.

Dr. CHU. I understand that. I think what I might wish to do is work with your staff about the specific location where this is alleged to have occurred. There are, of course, really two levels of phone service. There are those calls that, essentially on a space-available basis, soldiers can make, using our lines as a morale element.

Senator BEN NELSON. Yes.

Dr. CHU. That's up to the commanders. It can't interfere with the mission, obviously, but that gives an important resource to everyone, at essentially low or no cost. Then there are, of course, the prepaid phone cards, and we are carrying out Congress' direction. I am surprised at allegations of fees in this range. That's not where it's supposed to be. Maybe Mr. Brown has more information, but we'd be delighted to look into the specific site where this is alleged to have occurred.

Mr. BROWN. I can add a couple of points to that. As of December 3, we have received 156,000 AT&T cards valued at $20 each, and I believe the authority does allow for donated cards to fill part of that requirement, so that's happening. We do have this situation where people are waiting in line is for what we call Defense Switched-Network Calls. Those are the calls that the DOD operates. On average, 50,000 health, morale, and welfare (HMW) calls are made each day using this system, for all military services. So it is helping, but, indeed, there are lines for those kind of calls.

Senator BEN NELSON. Do you know anything about the connectivity fees and the——

Mr. BROWN. The Defense Switched-Network is free. It's at no cost to the service member. It's a military phone, basically. The commercial ones have the fees, and I don't know the rates. We'd have to look into what those rates are because $20 isn't going to go far if that's the rate.

Senator BEN NELSON. Half a call.

Mr. BROWN. There are e-mail and Internet services that we're also providing. There are 124 morale, welfare, and recreation (MWR)-operated Internet cafes, with 2,100 laptops and 105 mobile Internet cafes in Iraq. We're planning to add 40 more. These mobile cafes provide a satellite terminal, laptops, and Internet Protocol (IP). The charge to the service members for that is five cents per minute for the IP phones. So there's work in progress. We're working with our counterparts in the Under Secretary of Defense's office to try to improve this. We'd like it to get a lot better. But we have a good start.

Dr. CHU. Let me just emphasize, sir, that to my knowledge the fees are not supposed to be at that level. We will look into that specific allegation.

Senator BEN NELSON. I would appreciate it. Thank you, Mr. Chairman.

Senator CHAMBLISS. Dr. Chu, once you make your investigation, just report back your findings to staff, if you will.

Dr. CHU. I'd be delighted to.

[The information referred to follows:]

U.S. Central Command (CENTCOM) provides two phone services that enable service members to call anywhere in the world—Health, Morale and Welfare (HMW) calls using official phone lines and unofficial telecommunications provided by the Armed Service Exchanges.

In general, HMW calls are made over the official Defense Information System Network during non-duty hours and are limited to 15 minutes per call. On average, 50,000 HMW calls are made each day. The frequency and duration of HMW calls are determined by the commander so as not to interfere with the mission.

Additionally, the Armed Services Exchanges provide the unofficial telecommunications systems using the AT&T network. Monthly call volume is nearly 10 million minutes. The Army and Air Force Exchange Service (AAFES) operates 54 call centers (1,605 phones) and 640 satellite phones.

We share your concern about the extensive fees and charges that some have experienced. We are working to ensure our service members and their families are well informed and avoid unnecessary expenses. For instance, calls made from the exchange call centers using AT&T telephone calling cards, commercial credit cards, and AT&T prepaid phone card calling cards are not charged a connection fee. If the member places a collect call, there is a connection fee ranging from $.89 to $6.50. The AAFES posts advisory signs in all call centers to warn customers of these rate differences. An informed consumer can avoid the extremely high charges.

The DOD continues to work with AT&T to reduce the costs of all unofficial calls made by members serving in direct support of OIF and OEF. We have mounted an information campaign for members and their families to assist them in selecting the lowest cost option available during deployment.

Though the DOD has made tremendous strides in improving the lines of communication between our troops and their loved ones (49 call centers, and nearly 1,400 phones have been added since July 2003), demand for these services continues, at times, exceeds our capabilities, and it would not be unusual to encounter a long wait for either official or unofficial service during peak calling hours. The DOD and AAFES continue to strive to alleviate this difficulty.

Detailed information will be made available to staff.

Senator CHAMBLISS. Senator Dole, any further questions?

Senator DOLE. No, thank you, Mr. Chairman.

Senator CHAMBLISS. Gentlemen, again, thank you very much for being here. Thanks for your service to our country and our men and women, and we apologize, once again, for having to make you sit for awhile and wait on us to get started. But thank you.

Dr. CHU. Thank you, sir. I thank you for your courtesy.

Senator CHAMBLISS. We'd now ask our next panel to come forward. [Pause.]

I'd now like to welcome our next panel, the Personnel Chiefs of the military services. With us today is Lieutenant General Franklin L. Hagenbeck, United States Army, Deputy Chief of Staff for Personnel; Vice Admiral Gerald Hoewing, United States Navy, Chief of Naval Personnel; Lieutenant General Garry Parks, United States Marine Corps, Deputy Chief of Staff for Manpower and Reserve Affairs; and Lieutenant General Richard Brown, United States Air Force, Deputy Chief of Staff for Personnel.

We have received your written statements, and they will be incorporated into the record. We look forward to your testimony today.

General Hagenbeck, we're going to start with you. Just on a very quick personal note, we know that you commanded the 10th Mountain Division in Afghanistan. We appreciate your great service to our country, your leadership, and the great service you all provided

in Afghanistan. We're pleased to have you back here where you are, but we were very proud of you and very proud of all the men and women under you.

General HAGENBECK. Thank you very much, sir.

STATEMENT OF LTG FRANKLIN L. HAGENBECK, USA, DEPUTY CHIEF OF STAFF FOR PERSONNEL, UNITED STATES ARMY

General HAGENBECK. It is, indeed, a pleasure to be here with you this afternoon and to have the opportunity to appear before you and the subcommittee.

On behalf of the men and women of the United States Army, let me begin by expressing my sincere gratitude for your continued and committed support for our soldiers.

As I speak to you today, our Army has over 300,000 soldiers deployed in 47 regions around the world, and we've embarked upon the largest movement of soldiers in our 229-year history. This movement, of course, is a result of our soldiers' commitment to continue to fight for what we, as Americans, value most, which is freedom.

Current operations have accelerated the requirement to transform our Army. The continuing global war on terrorism has brought major successes in the past year and moved us toward new initiatives, some of which I would like to share with you this afternoon.

We're experiencing our first sustained combat operations with our 30-year-old All-Volunteer Force. Because we're at war, and will be for the foreseeable future, our goal is to continue to recruit soldiers who have the warrior ethos and who seek to serve our Nation fully in these very difficult times.

Last year, the active and Reserve components of the Army met their recruiting goals, and the National Guard met its target end strength. Recruiting incentives, such as the Enlistment Bonus Program, the Army College Fund Program, Loan Repayment Program, and the National Call to Service (NCS) have successfully enabled the Army to execute precision in its recruiting. With your support, we remain confident that we will meet our recruiting goals this fiscal year.

Also, in the previous year, the Army achieved all retention goals, a result that can be directly attributed to the Army's Selective Reenlistment Bonus (SRB) program. We anticipate that retention for this year will spike in the March and April time period as OIF and OEF units transition and soldiers will take advantage of our present duty assignments and selective re-enlistment bonus in-theater.

In recent years, the administration and Congress have supported compensation and entitlement programs as a foundation of a soldier's well-being. We believe a strong benefits package is essential to recruit and retain quality soldiers. Among our recent successes are the congressionally-mandated increases in imminent-danger pay, family-separation pay, and targeted pay raises. With your support, we have undertaken a number of initiatives to provide special compensation for our soldiers who serve their country under hazardous conditions, and we continue to look for ways to compensate our soldiers for the hardships they and their families endure.

The great demands placed on our Army have forced us to reexamine many of our longstanding personnel and basing practices. As a result, the Army is transitioning to a new personnel manning initiative for force stabilization, and it's designed to enhance unit readiness by increasing stability and predictability for our soldiers and families. Force stabilization places greater emphasis on building and sustaining cohesive, deployable, combat-ready units for combatant commanders. We believe a stabilized force increases unit readiness and combat effectiveness by reducing turbulence and uncertainty.

Before I conclude, I would be remiss if I did not mention the contributions of our Department of the Army civilians this last year. They're essential to our readiness and our ability to sustain operations. Nearly 2,000 Army civilians deployed to the global war on terrorism. Our civilians are a part of our Army team, and their sacrifices during the past year demonstrate that we're truly an Army of one.

Our Army's commitment and dedication are undaunted during this time of unparalleled challenge to our country. I'm proud of our young men and women, America's sons and daughters, for their selfless service every single day. Your commitment to change in our Army and your support for our current initiatives, such as recruiting and retaining a quality force, will ensure that our Army remains the best in the world.

Once again, thank you for the opportunity to appear before you today, and I'll look forward to answering your questions.

Thank you, sir.

[The prepared statement of General Hagenbeck follows:]

PREPARED STATEMENT BY LTG FRANKLIN L. HAGENBECK, USA

Mr. Chairman and members of the subcommittee, thank you for the opportunity to appear before you today on behalf of America's Army. I want to first express my sincere gratitude for your continued and committed support to the human resources environment. As I testify before you today, the Army has embarked upon the largest movement of soldiers in our 229-year history. Our soldiers and Department of the Army civilians remain fully engaged across the full spectrum of the globe with more than 297,000 soldiers deployed to more than 47 countries. Both our soldier's and Department of the Army civilian's commitment to our Army and to our Nation is unparalleled at this time as evidenced by multiple deployments, family separations and at times giving the ultimate sacrifice.

The momentum of the professional Army is marked by dramatic change and proud accomplishments as we move forward in the global war on terrorism. The operational tempo (OPTEMPO) today has accelerated the requirements to change our Army with initiatives such as Force Stabilization, active component/Reserve component (AC/RC) rebalancing, and modularity. We are swiftly moving changing while maintaining our current focused goals. Your commitment to these changes and support for our current initiatives (recruiting and retaining a quality force) will ensure our Army remains the best in the world. To this end, I would like to share with you some of our major successes and highlight some of our challenges for the coming year.

RECRUITING

The continuing global war on terrorism and engagements around the globe are our first sustained combat operations with our 30 year-old All-Volunteer Force. Recruiting the soldiers who will fight and win on the battlefield is critical. These young men and women must be confident, adaptive, and competent; able to handle the full complexity of 21st century warfare in this combined, joint, expeditionary environment. We are in a highly-competitive recruiting environment; competing with industry, post-secondary institutions and other services for the country's high-quality young men and women.

We have been successful. The active Army and Reserves met their recruiting goals in fiscal year 2003. The active Army is at 100 percent of its year-to-date fiscal year 2004 mission through January. On October 1, 2004, we began The National Call to Service (NCS) program, and 153 recruits have selected this program. The Reserve and National Guard are at 98.7 percent and 94.9 percent of their respective missions. We are recruiting a high-quality force; our high school degree graduates are 96.5 percent of active Army recruits, 94.0 percent of Reserve recruits, and 84.6 percent of National Guard recruits, year to date. We remain confident we will meet the fiscal year 2004 mission due to our recruiting force and incentives.

Our recruiting force is the best in the world. Our accession mission is over 165,000 this year (active 75,000, Reserve 34,804, and National Guard 56,000) and will likely increase with the 30,000 temporary manning increases. We must continue to have Congress's support of recruiting tools, advertising, and incentives. Incentives are a key enabler of the Army's accession mission in terms of military occupational skill (MOS) precision fill, quality, and quantity. Incentives include enlistment bonuses, the Army College Fund, and the Loan Repayment Program.

Bonuses are the primary and most effective tool for MOS precision fill: the accession mission. The bonuses help us react to current market conditions and competitors, today and tomorrow. We are able to use the bonuses to target critical MOSs, the college market, and "quick-ship" priorities.

The Army College Fund is a proven expander of the high-quality market. College attendance rates are at an all-time high and continue to grow, with 67 percent of the high school market attending college within 1 year of graduation. The Army College Fund allows recruits to both serve their country and earn additional money for college.

The Loan Repayment Program, with a maximum payout of $65,000, is another expander of the high-quality market. Whereas the Army College fund primarily targets those who have not yet gone to college, the Loan Repayment Program is the best tool for those who have college credit and loans. In fiscal year 2003, 24 percent of our recruits had some college credit.

The Army's recruiters are most effective when given the proper tools, such as incentives and advertising. The recruiting environment remains a challenge in terms of economic conditions and alternatives. Your continued support with resources, including funding for personnel, incentives, and advertising is necessary to compete in the current and future markets and to ensure our goals are met.

Enlisted Retention

The Army has achieved all retention goals for the past 5 years, a result that can be directly attributed to the Army's Selective Reenlistment Bonus (SRB) program. The Army re-enlisted 54,151 soldiers in fiscal year 2003, including 15,213 soldiers whose enlistments would have expired before September 30.

Although we are behind the historical glide path, the Army remains optimistic that we will achieve all assigned retention goals. Thus far, the active Army has achieved 94 percent of year-to-date mission, while the Army Reserve has achieved 90 percent of year-to-date mission. Meanwhile, the Army National Guard is more than holding its own in fiscal year 2004 and has reenlisted 160 percent of their year-to-date mission. In fiscal year 2004 alone, the Army must retain approximately 58,100 soldiers to maintain desired manning; this equates to a retention mission increase of 2,000 soldiers. We will depend upon a robust SRB program to enable achievement of our retention goals.

Developing ways to retain soldiers directly engaged in the ongoing war on terror is critical. We are now using a "targeted" (TSRB) as a tool to attract and retain quality soldiers. The TSRB aggressively targets eligible soldiers assigned to units in, or deploying to, the Central Command (CENTCOM) area of responsibility (AOR). Soldiers receive no less than a lump sum $5,000 bonus to reenlist for their present duty assignment while deployed in support of Operations Iraqi Freedom (OIF) or Enduring Freedom (OEF). Introduction of the TSRB on January 1, 2004, caused an almost immediate increase in reenlistments, but not enough to make up total Army shortfall from the first quarter of the fiscal year. We anticipate another significant increase occurring in March/April along with the force rotation changeover from OIF 1 to 2 and OEF 4 to 5.

Worldwide deployments, an improving economy, and the Army's Stop Loss/Stop Movement program could potentially affect retention. All components closely monitor leading indicators including historic reenlistment rates, retirement trends, first term attrition, Army Research Institute Surveys, and Mobilization/Demobilization Surveys, to ensure we achieve total success.

All components are employing positive levers including Force Stabilization policy initiatives, updates to the reenlistment bonus program, targeted specialty pays, and

policy updates to positively influence retention program. Ultimately, we expect to achieve fiscal year 2004 retention success in the active Army, the National Guard, and the United States Army Reserve.

OFFICER RETENTION

The Army continues to monitor officer retention rates as an important component of readiness. Overall retention of Army Competitive Category officers improved with increased retention at both the company grade and field grade ranks, with an aggregate fill rate of 103.7 percent. There was a slight increase in attrition for lieutenants and colonels, but the attrition rate for captains decreased almost 3 percent from fiscal year 2002 to fiscal year 2003.

The Army has steadily increased basic branch accessions beginning in fiscal year 2000 with 4,000, capping at 4,500 in fiscal year 2003 and returning to 4,300 for fiscal year 2004 and beyond, to build a sustainable inventory to support captain requirements. We achieved 4,443 accessions in fiscal year 2003. The Army can meet current and projected active Army officer accession needs through current commissioning sources (Reserve Officer Training Corps (ROTC), Officer Candidate School, United States Military Academy, and United States Army Recruiting Command). Reserve component lieutenant accessions present near- and long-term challenges, but the numbers have improved significantly over the past few years, and are expected to continue to improve.

We continue to promote officers at all ranks at or above the Defense Officer Personnel Management Act (DOPMA) goals and expect these rates to continue for the next 2–4 years.

PERSONNEL TEMPO (PERSTEMPO)

The strategic and operational environment has significantly changed in light of the large-scale engagement of Army forces in OIF and other expeditionary operations. Soldiers and their families who serve our Nation feel this increase of turbulence and uncertainty. The time soldiers spend away from home is directly related to the increase in unit and individual deployments and other operations.

Although we are an Army at war, we support the congressional intent of PERSTEMPO legislation that encourages the Army to reduce excessive individual deployments in a peacetime environment. Section 991(d) of title 10, U.S.C., authorizes the suspension of certain PERSTEMPO management constraints if required by national security interests. The Services suspended the accrual of days for PERSTEMPO per diem by invoking the national security waiver, which serves as a safeguard for Department of Defense (DOD) resources during a time of war. The timing to lift the suspension must support the Army by allowing sufficient time to secure funding, because payment of this allowance is an unprogrammed expense that could remove operational flexibility with second and third order effects, including operational risks to the soldier in-theater. Meanwhile, the Army continues to track and report PERSTEMPO deployments for management purposes and works closely with the Office of the Secretary of Defense (OSD) on policy and system adjustments for the National Defense Authorization Act for Fiscal Year 2004.

The Army actively manages the effects of PERSTEMPO through force management options as well as through working with OSD to manage force requirements in response to the global war on terrorism. Army initiatives to reduce PERSTEMPO include resetting the force, Force Stabilization, modular reorganization, post-deployment stabilization policy, use of both Department of Army and contract civilians where possible, and rebalancing of AC/RC forces. The Army is committed to managing force deployments with an emphasis on maintaining readiness, unit integrity, and cohesion while meeting operational requirements.

STOP LOSS

The Army has begun the monumental task of rotating forces in support of ongoing operations in Iraq and Afghanistan. During this spring and summer, the Army will have 8 of its 10 active duty divisions either deploying or redeploying from operations in support of the global war on terrorism. Consequently, the current and projected OPTEMPO continues unabated, placing enormous stress on units, soldiers, and their families. Based on the commitment to pursue the global war on terrorism for the foreseeable future, to provide our combatant commanders the force to decisively defeat the enemy, and to ensure our formations are ready for the warfight, required us to re-institute the active Army Unit Stop Loss program and to retain the Reserve Component Unit Stop Loss program currently in effect.

The two Stop Loss models currently being used in support of the Army's effort in the global war on terrorism are the following.

— Active Army Unit Stop Loss: Applicable to all regular Army soldiers assigned to organized active Army units alerted or participating in OIF I and II and OEF IV and V.

— Reserve Component Unit Stop Loss. Applicable to all Ready Reserve soldiers who are members of Army National Guard or United States Army Reserve and assigned to RC units alerted or mobilized in accordance with section 12302 or 12304, title 10, U.S.C., to participate in Operations Noble Eagle (ONE), OEF, and OIF.

The Active Army and Reserve Component Unit Stop Loss programs affect soldiers at the unit's mobilization/deployment date minus 90 days, continues through the demobilization/redeployment date, plus a maximum of 90 days. The 90 days after return to the unit's permanent duty station ensures sufficient time for soldiers to complete mandatory transition, participate in the Army Career Alumni Program, and deployment cycle events/activities. In addition the 90 days permits us to re-distribute the force to reduce risks to readiness and distribute soldiers across the Army to satisfy professional development needs.

DOD guidance to the Services is to discontinue Stop Loss policies as soon as operationally feasible. Consequently, our policy requires a quarterly review to determine continuation or termination. As of February 2004, the current Stop Loss program affects a total of 44,535 soldiers, of all components.

Reserve Component

The Army continues to rely on the National Guard and Reserve to shape the fighting force in the global war on terrorism. The National Guard and Reserve are involved in the full spectrum of operations, from necessary tasks of guarding installations at home to full combat operations in Iraq. Their performance has been nothing short of magnificent. The capabilities they bring to the fight are indispensable. There have been challenges in this largest call-up of Reserves since Korea. However, this mobilization is a major success story and proves this is the Army, an Army of one, and that all components of the Army are vital and necessary to the success of our Nation.

We have mobilized nearly a quarter million soldiers from our Reserve Forces since September 11 for operations spanning the globe. This number of soldiers equates to just over 35 percent of the Ready Reserve. Today we have 160,000 RC soldiers on active duty. That number is 30,000 higher than average due to the ongoing mobilization/demobilization of units in Iraq and Afghanistan. By the end calendar year 2004, we will have fewer than 125,000 RC soldiers on active duty. That decrease will be due to our concerted efforts to employ Iraqis in the running of Iraq, to engage coalition partners, to seek joint solutions to missions, and to maximize the use of contractors whenever possible.

The RCs comprise 42 percent (55,000 RC over 130,000 total) of the Army force in Iraq to date. When this current rotation is complete, RC soldiers will comprise 43 percent (51,000 RC over 119,000 total) of the Army force. Although there is some decrease in some of the RC support missions as we have replaced them with host nation support, coalition, and contractors, there has been an increase in National Guard combat forces in order to give active army combat forces a chance to reset. The RCs have met the challenge by continually proving to be an integral part of and a combat multiplier to the total force.

MILITARY BENEFITS AND COMPENSATION

Maintaining an equitable and effective compensation package is paramount to sustaining a superior force. A strong benefits package is essential to recruit and retain the quality, dedicated soldiers necessary to execute the National Military Strategy (NMS). In recent years, the administration and Congress have supported compensation and entitlements programs as a foundation of soldier well being. An effective compensation package is critical to efforts in the global war on terrorism as we transition to a more joint, expeditionary, unit-centered, and cohesive force. The fiscal year 2004 budget contains an average 4.1 percent pay raise, which exceeded the Employment Cost Index. The fiscal year 2005 President's budget continues providing pay raises at Employment Cost Index plus 0.5 percent, which helps make the Army more competitive with the civilian sector. This equates to 3.5 percent for fiscal year 2005.

With congressional support, we have undertaken a number of initiatives to provide special compensation for our soldiers who serve their country under hazardous conditions, and we continue to look for ways to compensate our soldiers for the hardships they and their families endure. We appreciate your commitment in this regard.

FISCAL YEAR 2005 PERSONNEL BUDGET AND MANNING

The fiscal year 2005 budget provides military pay to support an active Army 482,400 end strength (78,500 officers and 399,700 enlisted and 4,200 cadets) and the RCs at 555,000-end strength. It fully funds the Army Reserve Annual Training (109,000 participating soldiers), Active Guard and Reserve (AGR) (14,970 soldiers), and Individual Manning Augmentees (IMA) (6,000 soldiers). The Army Reserve is funded at 70 percent of the Inactive Duty Training (IDT) program (83,000 soldiers out of 123,000 participating soldiers). The fiscal year 2005 budget funds the Army National Guard Annual Training at 82 percent (170,000 soldiers), IDT program at 85 percent (194,000 soldiers), and AGR (25,000 soldiers) including 102 Ground Missile Defense and 76 AGRs for 4 additional Civil Support Teams (CSTs). The fiscal year 2005 budget also continues the Residential Communities Initiative (RCI) program, bringing the number of installations operating under the RCI program to 20. Additionally, the budget virtually eliminates the median out-of-pocket housing costs for our men and women in uniform by 2005 and is reflected in the Basic Allowance for Housing (BAH) portion of the Military Personnel Army (MPA) budget request. This initiative improves the well-being of our soldiers and families and contributes to a ready force by enhancing morale and retention.

Personnel Transformation

Army personnel transformation will profoundly impact how the Army delivers human resources services to commanders, soldiers, government civilians, and families. More than improving information technology and systems, personnel transformation is about rethinking programs, policies, and processes to enable the Army to provide optimum human capital, and the right information, individuals, and units, at the right place, at the right time, with the right skills. Personnel transformation initiatives directly support the goals of making the Army more "joint, "expeditionary," and "modular." These personnel transformation changes will enhance the individual and unit readiness of the Army across all components—active Army, Army National Guard, and Army Reserve.

The Enterprise Human Resources System forms the information technology infrastructure and the knowledge architecture for personnel transformation. It includes the Defense Integrated Military Human Resources System (DIMHRS), an OSD-directed software capability that maximizes the potential of Web-based technology and commercial off-the-shelf software. The Army is the first Service to implement DIMHRS and has dedicated resources to assist in the development and review of functional human resources requirements. The Army is counting on DIMHRS to replace its legacy systems with a single, multi-component, integrated database across the DOD, enabling management of soldiers, Army civilians, and contractors.

The Enterprise Human Resources system will provide passive, full visibility across all Services and components, and will enable visibility and support of joint partners. It will be composed of one single authoritative source database, and will serve all echelons of command from home station to in-theater, including the individual soldier and family member, and will provide access to leaders, individuals, and human resource providers. Routine personnel procedures will happen "on line, not in line." The system will allow leaders to manage their organization across components, and will be linked to the Army's command and control (C2) operational architecture for battlefield functions, such as casualty reporting and strength accounting. A transformed human resources information system will provide the tools necessary to make critical combat and non-combat human resources support relatively routine.

Force structure changes are already underway in the personnel community's workforce and organizations. From headquarters to unit level, a variety of modular, multi-functional units are being structured and redesigned to meet the future needs of a modular and expeditionary Army. For example, at headquarters Department of the Army, the Army Reserve and active Army Personnel Commands have merged into the United States Army Human Resources Command.

The civilian equivalent, the Army's Civilian Human Resources Agency is now approved for inclusion within the command, and will be supported by the Human Resources Information System. Likewise, military personnel occupational specialties will be merged into a multi-skilled human resources specialty, providing more flexibility and support to an Army at war. Under the concept of "continuum of service," the Army is working to streamline the transition of soldiers between AC and RC, and to develop options that will allow the soldier to potentially serve in a multi-component career path across the Army team. The flexibility to seamlessly move from AC to RC status and back will allow trained and experienced soldiers and leaders to serve continuously, and provide needed talent to the Army and the Nation.

Recognizing that joint operations are now an integral part of warfighting, the Army is also reviewing ongoing initiatives, policies, and programs to ensure that joint requirements and concepts are integrated into career progression and soldier development. Advances in human resource information systems will streamline and optimize the employment of Army and joint capabilities across the full spectrum of operations.

Force Stabilization

The Army is transitioning to Force Stabilization, a personnel manning initiative designed to enhance unit readiness by increasing stability and predictability for soldiers and families. Force Stabilization places greater emphasis on building and sustaining cohesive, deployable combat-ready units for combatant commanders. Home-basing and Unit Focused Stability are the two new manning strategies that will keep soldiers together in units longer, fostering cohesive, seasoned forces.

Under home-basing, most initial entry soldiers and their families assigned to selected installations in the continental United States (CONUS) will remain at that installation for 6 to 7 years. The 7-year career mark was established because it is at that point the Army's manning needs outside the tactical units significantly increases.

Unit Focused Stability synchronizes a soldier's assignment to the unit's operational cycle. Under Unit Focused Stability most members of a unit arrive at the same time and remain in that unit for 3 years. This strategy sets the conditions for achieving higher levels of training effectiveness, deployability, and combat readiness. By synchronizing soldier's assignments to the operation cycle of their unit, personnel turbulence will be reduced.

Force Stabilization supports the Chief of Staff of the Army's strategic objectives improving stability and predictability for soldiers and their families. A stabilized force increases unit readiness and combat effectiveness by reducing turbulence and uncertainty.

WELL-BEING

The well-being of soldiers, civilians, and their families is inextricably linked to the relevance and readiness of the force. Well-being is the human dimension of readiness; expanding on the concept of quality of life by adopting the science of human behavior and integrating functional responsibilities for the Army's people programs. Beyond the traditional view of "personnel," well-being leverages the concept of human capital—soldiers and civilians, in whom the Army strategically invests to achieve and maintain a competitive advantage.

Well-being integrates people-oriented initiatives and programs, linking their combined results to the institutional outcomes of improved recruitment, development, and retention of its people to ultimately improve readiness. It incorporates 'measurable' objectives that are associated with these institutional outcomes, monitoring the well-being of the force and thus improving programs and services for Army constituents. Through this integrated management process, imbalances in the physical, material, mental, and spiritual state of soldiers, retirees, veterans, DOD civilians, and their families are identified and improved.

The philosophy of well-being establishes four strategic goals that address the basic aspirations of individuals—to serve, to live, to connect, and to grow. "To serve" personifies professional development and the intangibles of military service, such as values and camaraderie. "To live" refers to the physical and material needs related to shelter, pay, and healthcare. "To connect" refers to programs that create acceptance, contribution and social interaction by instilling pride and a sense of belonging—a connection to the Army team through leadership, family support, and programs that look after their welfare. "To grow" refers to an individual's need to expand his/her capabilities creatively and intellectually through citizenship, education, and recreation.

Ongoing well-being initiatives that directly support the global war on terrorism include Deployment Cycle Support (DCS), CENTCOM Rest and Recuperation (R&R) Leave Program, and the Disabled Soldier Support System (DS3).

Deployment Cycle Support

The DCS program was established to prepare soldiers and Department of the Army civilians for returning to spouses and families. DCS assists soldier and Army civilians redeploying from combat or other operations, and their family members in meeting challenges of returning to "home station." To ensure smooth transitions, soldiers, Department of the Army civilians, and family members participate in class discussions and assessments. The process begins in-theater and continues at demobilization sites and home station.

R&R Leave Program

The R&R Leave Program is a highly visible and a critical component of the Army Well-Being Program. R&R opportunities are vital to maintaining combat readiness and capability when units are deployed and engaged in intense, sustained combat operations. The R&R leave program provides a means where by soldiers deployed in the CENTCOM AOR are able to temporarily lay aside stress and the rigors of service in a combat zone by returning them home at government expense. To date more than 51,000 soldiers and DOD civilians have participated in the program.

The Disabled Soldiers Support System (DS3)

The DS3 consists of a centralized management program operated at the Department of the Army headquarters. The program will expand to include placing a representative in each of the seven Installation Management Regions to further assist severely disabled soldiers in their communication and connections to local, Federal, and national agencies and organizations. The DS3 will provide personal liaison support between soldiers and their families, commands, and communities regardless of component. The Army intends to monitor disabled soldiers as individuals, while monitoring trends to ensure the soldiers' needs are met.

SOLDIER EDUCATION INITIATIVES

In-State Tuition Initiative

The Army is committed to ensuring soldiers and their families are afforded educational opportunities equal to the general citizenry. Together with the DOD and the Services, we continue to ask all States to adopt in-State tuition policies favorable to the military and their families. Education is primarily a State responsibility; therefore, we ask each State to review its policy and determine how it affects the military family. The mobility of the military community, coupled with the State-specific criteria for determining in-State eligibility status for college tuition, often deprives the military family of this benefit. This lack of consistency in-State policies, combined with the loss of continuity in retaining the benefit once started, negatively impacts military families. This impact undermines morale and retention. The Army's goals for this effort are in-State status in the State of legal residence, in the State of assignment, and continuity of the benefit once started. Presently, 43 States have favorable policies (with the first two of the Army's goals) for service members and their family members. Twenty-two States meet all goals. Several States have proposals before their legislative sessions now that would grant military families this benefit consistent with our request. As the number two active issue in the Army Family Action Plan, the Army will continue working this initiative in a concerted effort involving State governments, State Higher Education Executive Officers, senior military leadership, the Civilian Aides to the Secretary of the Army, and installation commanders.

Education for Deployed Soldiers

Many soldiers in Iraq, Afghanistan, and Uzbekistan are currently enrolled in distance learning college courses using tuition assistance. The Army Continuing Education System's goals for this year and next are to continue installation reachback support for soldier continuing education, implement eArmyU for deployed and deploying soldiers, and open Army Education Centers in Afghanistan, Uzbekistan, and Iraq. Army educators continue to support soldiers assigned to the Balkans and other remote locations. Education programs and services have been deployed to Bosnia and Hungary since March 1996, Macedonia since May 1997, and Croatia from 1996–1998. Soldiers in Kosovo have had education services available since February 2000.

eArmyU

Launched in 2001, the eArmyU program has enhanced traditional Army distance learning programs and services with an anytime, anywhere program that ensures eligible enlisted soldiers have access and scholastic support to fulfill their educational goals. The key objectives of eArmyU are to improve well-being, increase retention, and enhance readiness by providing learning opportunities that develop the critical thinking and decisionmaking skills required on today's battlefields. By leveraging the technology provided through the world's largest education portal—eArmyU.com—soldiers currently access curricula at 28 regionally accredited universities offering virtual classrooms and libraries, academic advisement, and administrative and technical support. Together, these institutions offer soldiers a choice of 143 degree programs. eArmyU is currently offered at 14 installations, and more than 43,400 soldiers are enrolled. As of February 5, 2004, more than 10,196 soldiers have permanently changed duty stations from their original enrollment installations and are now participating in eArmyU from locations worldwide, to include 50 coun-

tries, 4 U.S. territories, and 50 States. We are now assessing the feasibility of deploying eArmyU to soldiers in the CENTCOM AOR. The program has made education viable for soldiers; 27 percent of soldier-students have never enrolled in post-secondary education. Of those soldiers who signed participation agreements, 21 percent have reenlisted or extended to take advantage of eArmyU. As of January 12, 2004, 350 soldiers have earned degrees through eArmyU. eArmyU is a streamlined and effective learning opportunity that, due to its unique portal technology, advances the Army into the rapidly developing e-learning market.

The Civilian Component

Military/Civilian Conversions

The evolving nature of our current force and its greater requirement to have "green suiters" deployed has required us to relook the shape of the Army. Military to civilian conversions are a way to improve the efficiency of manpower and make more military deployable by moving military out of positions that can be prudently performed by civilians. As part of the Army's long-term transformation strategy, it is essential that we start realigning military positions from existing infrastructure organizations to staff field units. This effort relieves stress in the operating forces and continues to transform the Army with additional combat brigades. We anticipate that most of the initial conversions will take place in the installation and training support functional areas.

National Security Personnel System

The enactment of the National Security Personnel System (NSPS) in the National Defense Authorization Act for Fiscal Year 2004 has called to action reform in the civilian personnel community. The act authorized a more flexible civilian personnel management system for the DOD that allows the Department to be a more competitive and progressive employer at a time when our national security demands a highly-responsive system of civilian personnel management. The legislation ensures that merit system principles govern any changes in personnel management, whistleblowers are protected, discrimination and nepotism remain illegal, and veterans' preference is protected. The DOD is collaborating with employee representatives, will invest time in trying work out differences, and notify Congress of any differences before implementation. In January, DOD officials met with union representatives to begin the development of a new system of labor/management relations. Later this year, the DOD plans to begin implementing NSPS to include an intensive training program for supervisors, managers, human resources specialists, employees, as well as commanders and senior management.

To complement the flexibilities inherent in NSPS we are planning to implement changes in how we train, develop, and manage leaders in our civilian workforce. The same challenges that are driving the transformation of the military component of the Army dictate that we have a cadre of senior civilian leaders who are prepared to fully support the Army and the Nation. Increasingly, we see a need to deploy civilians in support of our soldiers and operations and to move civilians with the right skills to critical combat support positions. The transformation we plan in the civilian arena will assure that our senior civilians are ready to respond when needed.

CONCLUSION

Our Army's commitment and dedication is undaunted during this time of unparalleled challenge in our country. I am proud of our young men and women, America's sons and daughters for their selfless service everyday. I am hopeful that your support and assistance will continue as we demonstrate our commitment to fulfilling the manpower and welfare needs of the Army, Department of the Army civilians, and retired personnel.

Once again thank you for the opportunity to appear before you today. I look forward to answering your questions.

Senator CHAMBLISS. Thank you, General.

Admiral.

STATEMENT OF VADM GERALD L. HOEWING, USN, CHIEF OF NAVAL PERSONNEL, UNITED STATES NAVY

Admiral HOEWING. Mr. Chairman, Senator Nelson, thank you very much for the opportunity to appear before you today. On behalf of the men and women of the United States Navy, I'd like to thank you very much for the wonderful work and the continued

support of programs and initiatives that provide our sailors high quality of service, better growth and development opportunities, and ever-increasing opportunities in their futures.

From record retention and record recruiting to enhanced compensation and quality of service, the fleet is now the most capable and talented that I've ever seen it. It's also fleet battle-tested and sharp. Our Navy's performance in OEF and OIF demonstrated more than just combat excellence. It reaffirmed the greatest advantage we hold over every potential adversary, and that, sirs, is the genius of our people. I've visited them in the fleet, and I can tell you that they are proud. They want to serve, and the tone of our force has never been better. That's a direct result of your support, to be sure, but it also reflects the innovative organizational and operational changes, as well as the technology investments that have improved, and will continue to improve, the way we get work done in the Navy.

Under Admiral Clark's leadership these last few years, we've become a better aligned and much more effective fighting force. Through the Fleet Response Plan, like never before, we are able to support the national security strategy with persistent rotational and surge-capable naval-capabilities. These capabilities are enhanced by innovative new manning practices, such as our fleet experimentation projects, our sea swap, and our optimal manning experiments. We're investing heavily in technology, designing affordable mixed-generation ships engineered with the systems in mind to maximize the performance of our sailors, while decommissioning legacy platforms and manpower-intensive platforms. The truth is, we're still burdened by a Cold War industrial-age manning construct that will not suffice for the 21st century. We can and will do better.

The end result will be a more capable Navy of fewer, but even more talented people. That is why we are confident in proposing a fiscal year 2005 end strength reduction of 7,900 active-duty personnel. Our approach to creating this smaller, smarter workforce is deliberate and careful, and built on three supporting tasks.

The first is determining true manpower requirements. We must evaluate not only the relevance of every given task to combat capability, but whether or not that task is best performed by an active sailor, reservist, a civilian, or even a contractor. The total force, then, is a requirements-driven total-force approach.

Second, we're shaping the force smartly by using existing tools to better meet those requirements. We introduced a program called Perform To Serve, where we have converted from one skill set to a second skill set more than 2400 first-term sailors from overmanned skill sets to undermanned skill sets. Our SRB program was refined to improve manning without our—we call them Navy enlisted classification codes, or specific skill sets, and it remains our most effective retention tool. Our assignment incentive paid-pilot programs have encouraged hundreds of qualified and talented sailors to take orders to those billets that we find most dear and essential to our operational readiness. We'll continue to evaluate our process to make sure we're getting the right sailors to the right place at the right time.

Finally, we continue to work hard in the development of a program we call Sea Warrior, our new human resources management system that integrates the currently segregated processes of manpower, personnel, and training. Eventually, this Web-based system will manage our total force to within a very narrow margin of the true requirement, so that the force-shaping tools and the strength management tools literally become automatically and intrinsically linked.

In conclusion, Mr. Chairman, let me thank you and the entire committee for the extraordinary support you've provided to our Navy. The dedicated men and women of the strongest Navy that the Nation has ever known will continue to carry that freedom to the far corners of the Earth, taking sovereignty of this great Nation in our ships, submarines, and aircraft. Your continued support and guidance will maintain that high quality and prepare us to meet the challenges of the 21st century.

Thank you very much.

[The prepared statement of Admiral Hoewing follows:]

PREPARED STATEMENT BY VADM GERALD L. HOEWING, USN

INTRODUCTION

Mr. Chairman and distinguished members of this subcommittee, thank you for this opportunity to appear before you again this year to apprise you of our recent successes and ongoing efforts in pursuit of optimum personnel readiness within the world's finest navy.

On behalf of the men and women of the United States Navy, I would like to express our collective gratitude for your exceptional and sustained support in ensuring we have the right people, both in number and quality, as well as the proper tools necessary to correctly man our current and future naval forces. Your continuing support of initiatives that provide high quality of service and quality of life for sailors and their families is among the most influential factors in our success in recruiting the very best young men and women this nation has to offer, and in our subsequent ability to retain them in unprecedented numbers in an All-Volunteer Force during a time of war. Continued congressional support for improvements in compensation, special and incentive pays, health care and quality of service enhancements are sending the right signal—we value your service and we want you to stay Navy. Your support for the Department of Defense's (DOD) fiscal year 2005 request for a 3.5 percent basic pay raise, our efforts to transform our manpower structure, and further reduction in average out-of-pocket housing costs, from 3.5 percent to 0, will enhance our ability to properly size and shape the 21st century workforce that is our future.

As Chief of Naval Operations (CNO), Admiral Vern Clark, recently informed the full Senate Armed Services Committee, we are winning the battle for people. Higher quality recruits, historic retention rates, innovative incentive pay programs, reduced attrition, competitive reenlistments and detailing, and outstanding leadership have all contributed to making our current workforce the very best the United States Navy has ever seen. Admiral Clark has consistently placed manpower at the top of his priority list and has made sure it is the highest priority of all who serve in positions of leadership. As a direct result of initiatives he has supported, we have retained sailors at near historic rates, while focusing even more on the quality of both those we keep on the rolls and those we bring in through recruiting. Such efforts have combined to allow us to dramatically reduce accession goals. This, in turn, has saved literally millions of dollars in training replacement personnel while preserving knowledge, skills, abilities, and leadership experience within our ranks.

In 2003, we exceeded all aggregate retention goals for the third straight year; our recruiters reached their new contract objective for the 29th consecutive month and met our annual active enlisted accession goal for the fifth straight year; we reduced attrition 10 percent from the previous year's levels; and, through decommissioning older, manpower-intensive platforms, improving training and employment processes, and more efficient infrastructure organization, we have further reduced gaps at sea. These accomplishments are helping develop the 21st century workforce needed for Sea Power 21, our vision for how we will organize, integrate, and transform the

United States Navy as we defend our Nation and defeat our enemies in the uncertain century ahead. As Navy's force structure becomes more technical, so must our workforce. Our people will be a more educated and experienced group of professionals in the coming years, and we must properly employ their talents.

The CNO has stated that we will spend whatever it takes to equip and enable these outstanding Americans, but we do not want to spend one extra penny for manpower we do not need. This places us at a unique crossroads . . . Navy manpower today exceeds that which is required to most efficiently and effectively man our current and anticipated force structure. Our people are better, smarter, and more talented than they were in years past but not as good as they will be tomorrow. The CNO refers to this as the "genius of our people" and because of it, we can sustain our high degree of combat readiness with fewer people.

> "One thing we have learned in the global war on terror is that, in the 21st century, what is critical to success in military conflict is not necessarily mass as much as it is capability."
>
> DONALD H. RUMSFELD,
> *Secretary of Defense,*
> *February 4, 2004.*

PROPERLY SHAPING THE FORCE

As we continue to pursue the kind of new technologies and competitive personnel policies that will eliminate non-productive work, streamline both combat and non-combat personnel positions, improve the two-way integration of active and Reserve missions, and reduce the Navy's total manpower structure, we are proposing a fiscal year 2005 end strength reduction of 7,900 personnel. It is important to note that we have deliberately positioned ourselves for this potential success. Navy has historically been a capital-intensive service. "Manning the equipment" as opposed to "equipping the man" has been our traditional approach. But as we introduce in coming years more sophisticated systems that are designed with the human operator in mind, reductions in manpower, and therefore, end strength naturally follow. Personnel reductions will include both uniformed and civilian positions as we shape manpower requirements to match the significant investments of the past several years.

Our force will be smaller and present a "flatter" profile, meaning, we are reducing the number of junior sailors who historically have performed menial labor tasks, and we are generally increasing the longevity of our force; thereby reducing the costs associated with loss of experience and retraining. The environment in which our sailors operate is becoming increasingly more competitive and, by extension, more effective. Achieving and sustaining membership in the 21st century Navy is based on the potential for further growth and the ability and initiative to make measurable contributions to mission effectiveness. We are fostering a climate that, while recognizing the importance of all supporting elements, places greater emphasis and rewards on those filling operational roles directly associated with warfighting. We are capitalizing on the ability of the individuals without being constrained by labels of active, Reserve, civilian or contractor. We are taking new approaches that, in many cases will de-link unit operational tempo (OPTEMPO) from individual personnel tempo (ITEMPO). At every turn we are carefully targeting the educational needs and desires of our people to enhance their professional and personal competence in a directed manner that supports mission accomplishment and stimulates personal growth and development.

THE RIGHT APPROACH

The path on which we have embarked to properly shape our force structure may appear contrary to conventional wisdom. The prevailing argument seems to be that with a war ongoing against global terrorism, no individual Service can afford to reduce the size of its workforce. Nothing could be farther from the truth for the Navy. In fact, we think we can be an even more effective fighting force with fewer people on the rolls than we are today. There are two principal reasons: first, we are fundamentally changing the way in which work gets done. Technology and better manning practices have permitted us to simply accomplish a given task with far fewer people than it might have required even a decade ago. Consider the manning of one of our destroyers, which now requires a crew of 320, but in the future will be manned a crew of 165. Second, we are approaching manpower from a total force perspective, closely evaluating not only the relevance of a given task to combat capability, but whether or not that task is best performed by an active duty or Reserve sailor, a civilian employee, or a contractor. If it doesn't contribute to combat readiness and if it doesn't need to be done by a sailor or one of our talented civilians,

we don't need to be doing it. At its heart, this is requirements-driven force shaping. We know that the non-productive work must go before the personnel numbers can be significantly reduced over time.

We are reducing excess infrastructure, mostly at large shore installations, that is not immediately and directly tied to the fleet. Most importantly, we are eliminating non-productive work before removing the people. We are abandoning a Cold War era industrial-age manning construct that no longer makes sense in an information-rich world or against the diverse threats now facing our national security. This is all about how best to employ precious human resources; making sure highly-talented sailors are not engaged in low production work.

SEA WARRIOR: INVESTING IN SAILORS

Sea Warrior, the manpower component of Sea Power 21, implements the Navy's commitment to the growth and development of our people. It serves as the foundation of warfighting effectiveness by ensuring the right skills are in the right place at the right time. Traditionally, our ships have relied on large crews to accomplish their missions. Today, our All-Volunteer Force is developing new combat capabilities and platforms that feature dramatic advancements in technology and reductions in crew size. The crews of modern warships are streamlined teams of operational, engineering and information technology experts who collectively operate some of the most complex systems in the world. As optimal manning policies and new platforms further reduce crew size, we will increasingly need sailors who are highly educated and expertly trained. Sea Warrior is designed to enhance the assessment, assignment, training, and education of our sailors. Our fiscal year 2005 request sustains our Sea Warrior momentum to change the tools used to assess mission accomplishment and individual growth:

- Innovative personnel employment practices are being implemented throughout the fleet.
  - Optimal manning—Experiments in U.S.S. *Boxer* (LHD–4), U.S.S. *Milius* (DDG 69) and U.S.S. *Mobile Bay* (CG 53) produced revolutionary shipboard watch standing practices, while reducing overall manning requirements and allowing sailors to focus on their core responsibilities. The fleet is implementing best practices from these experiments to change Ship Manning Documents in their respective classes. Optimal manning means optimal employment of our sailors.
  - Sea Swap—Building on the success of the first crew change in U.S.S. *Fletcher* (DD 992) in Fremantle, Australia, we expanded the Sea Swap initiative to four *Spruance*-class destroyers (DDs) and three *Arleigh Burke*-class guided missile destroyers (DDGs). The Sea Swap initiative has saved millions of dollars in transit fuel costs and increased forward presence without lengthening deployment times for our sailors.
- Commander, Naval Installations (CNI) Command—Established this past October, CNI is responsible for consolidation of all Shore Installation Management Functions (SIM), e.g., facility maintenance, firefighting, security, mail services, etc. It serves as a single and centralized advocate for shore installations, to establish Navy-wide business practices and generate savings for future investments. The overarching objective is to eliminate redundancy in the SIM process and enable activities to focus on their respective technical missions. CNI's core responsibility is to provide uniform program, policy and funding for the management and oversight of shore installation support to the fleet. CNI is an important tool in implementing changes in the Navy's internal framework as well as rationalizing Navy's infrastructure within the larger context of DOD transformation initiatives.
- Fleet Response Plan (FRP)—Our Nation must provide for homeland defense, while concurrently being forward deployed and ready to surge to deliver overwhelming and unparalleled combat power wherever and whenever needed. In response to this mandate, CNO launched the FRP. This innovative approach allows us to surge about 50 percent more combat power on short notice, while simultaneously reducing some of the personnel strain of forward rotations. The FRP allows us to consistently deliver six forward deployed or ready-to-surge Carrier Strike Groups (CSGs), almost immediately, plus two additional CSGs in the basic training phase in 90 days or less (6+2). To make this work, we have fundamentally reconfigured our employment policy, fleet maintenance, deployment preparations and fleet manning policies to expand operational availability of non-deployed fleet units. We have shifted the readiness cycle from one centered solely on the next-scheduled-deployment to one focused on returning ships to the right level of readiness for both surge and deployed operations. The net

result is a fleet that is more ready, with more combat power, more quickly than was possible in the past.

• Integrated Readiness Capability Assessment (IRCA)—IRCA was developed to permit us to more carefully examine our readiness processes. Starting with the FRP, we took a hard and realistic look at what we need to deliver required combat readiness. The IRCA helped us understand the collective contributions of all components of readiness, accurately define requirements, align the proper funding and provide a balanced investment to the right accounts. It improved our visibility of the true requirements and gave us a methodology by which to assess and understand acceptable and unacceptable risks to our readiness investments. The bottom line is—we have carefully defined the readiness requirement and identified those areas where we can streamline or cease activities that do not add to readiness.

"We will deliver the right readiness at the right cost to the Nation."

ADMIRAL VERN CLARK,
Chief of Naval Operations,
February 10, 2004.

• Professional Military Education (PME)—We are taking a more comprehensive approach toward educating our people than we have done in the past. Our PME program will allow us to fully incorporate personal growth and development as part of our mission. We are broadening the professional and intellectual horizons of our members to better prepare them to operate tomorrow's fleet and to assume key naval and joint leadership roles. The PME continuum we are developing, will integrate general education, traditional Navy-specific Professional Military Education (NPME) and Joint Professional Military Education (JPME) curricula.

• A Human Performance Center (HPC) has been established to optimize naval warfighting performance by applying the Human Performance Systems Model and the science of learning to all facets of naval operations. In doing so, we will eliminate barriers to achieving required performance and ensure that training solutions are effective, thereby, saving money and improving readiness.

• Integrated Learning Environment (ILE) is a family of systems that, when linked, will provide our sailors with the ability to develop their own learning plans, diagnose performance strengths and weaknesses, and tailor education to support both personal and professional growth. Most importantly, these services will be provided anytime, anywhere via the Internet and the Navy-Marine Corps Intranet (NMCI).

• Five Vector Model (5VM)—is an innovative assessment tool currently in use to improve the professional development and growth of our sailors, both officer and enlisted, active and Reserve. The enlisted tool is being used at this time and the officer tool is under development. The 5VM in coordination with the Career Management System (CMS), will use the latest in systems technology to create an integrated career management tool allowing sailors to more successfully plan and execute their careers, and then reap the rewards of serving. Accessed through Navy Knowledge Online (NKO), the 5VM is both a roadmap and a resumé, showing sailors what they need to know, when they need to know it, and how to go about getting that knowledge, skill or ability. Tailored to each individual, it offers a single point of access for all information and resources related to planning and managing their professional and personal lives. Sailors can access their professional and personal development, leadership, certifications and qualifications, and performance vectors. As each vector requirements, or milestones, are plotted, these are linked to the supporting courses (residency, computer-based, Web-delivered), tools and available resources. Based on achieved milestones, the 5VM tracks a sailor's ranking among his or her peers; identifies promotion potential and feeds various databases from which the electronic training jacket is created. Through the 5VM, sailors will also link to the CMS to identify duty assignments that will best meet their individual development and promotion needs, as well as alternative duty assignments and non-military educational opportunities. Sea Warrior will ultimately bring together the 5VM and CMS to create an integrated detailing system, allowing sailors to apply for duty assignments online.

NAVY MANPOWER AND PERSONNEL STRATEGY (N–MAPPS)

We decided several months ago to adopt the Balanced ScoreCard management system as a means of translating our organizational strategy into action and better focusing our activity and budget decisions on achieving our strategic priorities. Under our own brand, N–MAPPS, the Balanced ScoreCard approach provides an ef-

fective means by which to measure the things we do against the performance outcomes we expect. For example, one goal is to improve the quality of the force. We need to be able to say how we are going to do it as well as how we will know when we have successfully achieved our goal. In this way we will be better able to measure our success and determine whether or not the goals we set for ourselves were the right ones. Using techniques on how to improve government efficiency employing Balanced ScoreCard, we have streamlined our strategy map, making it tighter and more focused. We are also honing our metrics, paring them down to those most essential, as well as sharpening the tolerances. With the proper emphasis on how to measure success, ensuring that we measure the right things, in the right numbers and within appropriate tolerances, we are sure to reach the right conclusions.

HOW WE WILL GET THERE

We have a variety of tools currently available to us that we will employ to ensure we make the right decisions about whom to retain and in what skills and who we separate:

- Perform to Serve (PTS)—Last year, we introduced PTS to align our Navy personnel inventory and skill sets through a centrally managed reenlistment program and to instill competition in the retention process. Most sailors are authorized to reenlist within their current ratings, because that is where we need them most. It's cost-effective and it benefits our readiness posture. Others, however, will be encouraged to convert from ratings in which we have excess inventory, to undermanned ratings where vacancies are really hurting us. Those sailors asked to convert will be provided with the necessary training to ensure their success in their new skill areas and they may be eligible for a bonus upon incurring a specified period of obligated service to work in that rating. As you can see, we further enhance readiness in this way, because, by moving experienced and disciplined sailors from overmanned skill sets into undermanned skill sets, we are balancing our force profile, while capitalizing on the investments we have made in these proven professionals by keeping them in our ranks. The pilot program has proven so successful in steering sailors in overmanned ratings into skill areas where they are most needed, that the program has been expanded. More than 16,000 sailors have applied to reenlist through PTS since the program began just 1 year ago and we will continue this effort in 2005.
- Lateral Conversion Bonus (LCB)—Another available method relies on a tool authorized in last year's authorization bill that we refer to as the Lateral Conversion Bonus. While PTS focuses on rating conversions at the end of a sailor's service obligation, LCBs would be targeted at sailors we need to convert to undermanned ratings in the middle of a period of obligated service. The benefit to this approach is that, the sooner we can get them into the skill areas in which we need them, the sooner we begin to realize a return on investment, in terms of enhanced personnel readiness and that's what we're all about. Earlier conversion also accelerates their competitiveness and enhances their chances for advancement within their new rating.

PTS and LCB were emphasized first because we want you to know that we place great value on the professionalism of our dedicated and experienced sailors. We will make every reasonable effort to retain these sailors by considering them for rating conversion prior to any decision to release them from our ranks. It makes good sense from a readiness perspective and it is responsible stewardship of taxpayer dollars to do so. Additionally, it keeps faith with those who voluntarily serve, and their families, by affording them the opportunity to remain a part of our team even if the job they originally enlisted in the Navy to perform is no longer needed. These methods have shown great utility in our efforts to shape the force for the 21st century.

- Assignment Incentive Pay (AIP)—Authorized in the fiscal year 2003 Defense Authorization Bill, AIP attracts qualified sailors to a select group of hard-to-fill duty stations. It allows sailors to bid for additional monetary compensation in return for service in these locations. An integral part of our Sea Warrior strategy, AIP is enhancing combat readiness by permitting market forces to efficiently distribute sailors where they are most needed. Since the pilot program began last June, more than 1,100 AIP bids have been processed, resulting in 238 sailors receiving an average of $245 extra pay each month. More importantly, challenging duty assignments have

been filled without forced assignment of service members contributing to our improvements in quality of service.

• Selective Reenlistment Bonus (SRB)—While we have enjoyed much success in our retention efforts of recent years, we must not presume that we can rest on these accomplishments or surrender to the notion that the tools that made such successes possible are no longer needed. SRB authority has come increasingly under fire because of the funding required to support it. This has been, and continues to be, our most valuable incentive, directly responsible for much of our unprecedented retention successes in the key skill sets required to maintain our combat readiness. Indeed, SRB adjustments were repeatedly refined last year to improve manning within specific skills (Navy Enlisted Classification (NEC) Codes), vice overall ratings. The direct cost avoidance associated with not having to access, train and grow replacement personnel far outweighs the funds expended to retain sailors in critical skills using the SRB. Added to that is the costs we would have paid in decreased personnel and military readiness, had we not been so successful in retaining these outstanding professionals in needed ratings. I strongly encourage your continued support for this vital program. I cannot overemphasize the importance that it continues to play in the readiness and capability you observe in our Navy today.

• Military to Civilian Conversions—We are conducting a careful review of military billets in our shore infrastructure to determine if they truly require a sailor, or if the task could be performed as effectively, and at lower cost, by a civilian or by private industry. We want to emphasize shore billets where sailors need, and continue to hone, those skills required by the fleet. In conducting this review, we are using several tools, for example: "zero-based reviews" of individual officer communities and enlisted ratings, functional reviews of service delivery for various infrastructure requirements, and a review of the model for providing total force health care requirements. We will phase in the results of this analysis to ensure that sailors continue to have a career path that supports professional growth and that we continue to support the fleet with an appropriate mix of manpower.

To achieve the necessary end strength to match manpower requirements necessary to support our combat readiness requirements, additional methods of shaping the force are currently available for use. These methods, though not preferable, may be used to achieve our manpower goals. We are exploring methods that would allow voluntary decisions by sailors in targeted skill sets to "right size" the force to match manpower requirements. The tools that are being explored would allow us to effectively, and more precisely, shape the force while contributing to continued success in recruiting, retention and quality of service, thereby avoiding the adverse impacts experienced as a result of using such draconian involuntary separation methods during the post Cold War drawdown.

NATIONAL SECURITY PERSONNEL SYSTEM (NSPS)

Last year, Congress authorized NSPS, a new, more flexible, more user-friendly, personnel system, which will undoubtedly help us better manage our civilian workforce. Navy has offered to serve as the testing ground to launch this new and innovative Federal employee management system, and we are confident that it will contribute immensely to our ability to get the best-qualified, best-trained, best-educated, and most highly-motivated civilian Federal employees into key positions that are integral to our total force manpower effort. It is imperative that we have the kind of flexibility this system affords us as we identify, through such innovative tools as the previously mentioned IRCA, positions currently filled with uniformed personnel that could more appropriately be performed by talented professionals in the civilian workforce, freeing up sailors to fill positions more closely tied to fleet operations.

We are in the initial stages of identifying competencies required by our civilians to support current and future work requirements. This competency identification provides the basic structure for workforce development, recruitment, succession planning and strategic human capital planning. It also provides a framework supportive of the NSPS and the changes Navy needs to make in the performance planning process. We believe these changes to how Navy manages its human capital will enhance employee work-life and demonstrate that Navy is an "employer of choice."

For sailors ready to leave the Navy, we continue to remind them that Navy is an "Employer of Choice" in the civilian world to our mutual benefit. As we expend significant effort and resources to recruit the best and brightest into the Navy, and subsequently in their training and leadership skills, it stands to reason that when

these professionals leave the Navy, they are among the most attractive and logical applicants for potential placement in civilian positions. They have a great education, thanks to our PME program that allows us to fully incorporate personal growth and development as part of our mission. Their leadership skills are unparalleled since we have invested in broadening their professional and intellectual horizons in order to better prepare them to operate tomorrow's fleet and to assume key naval and joint leadership roles. There are many employers who make the mistake of investing in the career development of employees only to lose their talent and experience to employers elsewhere. After investing in sailors' career development for many years it makes sense to encourage them to continue contributing to Navy as a civilian employee. In doing so, we retain the knowledge, skills, and abilities they acquired through years of service and specialized training in the Navy.

DIVERSITY

The Navy has embarked on a more strategic approach to managing the diversity of our force. During the past year, we have concentrated on three main areas: understanding the current diversity environment, defining our strategic diversity framework, and making a commitment to execution. The implementation plan is concentrated in four major areas, each of which is led by a specific work team: Accessions, Training and Career Development, Organizational Alignment, and Communications. We will also establish a Senior Diversity Leadership Forum that will include membership from the highest levels of the Navy, as well as distinguished leaders of the civilian community. This forum will monitor the execution of our efforts. We envision it becoming the model for our Government and our Nation in this critical endeavor. Further, the Diversity Visioning Group, which was formed last year to develop the Strategic Framework for Diversity, will evolve into the Fleet Diversity Council, continuing to lead the effort on the waterfront.

Implementation of the strategic plan will be a multi-year effort that will require us to remain engaged and steadfast. Change will be achieved over time, with continued diligence, commitment and execution from all hands. Evaluating and communicating progress will be key to ensuring we stay the course and succeed. Achieving key milestones, derived from the implementation timelines, we will provide a structure from which to assess progress and identify critical junctures. Implementation milestones will also serve as incremental measures of change and provide opportunities for 'small wins' to be celebrated. The end result, we believe, will be the ability to sew diversity into the fabric of our Navy's culture.

HEALTH OF THE OFFICER CORPS

While we have made significant inroads in addressing many officer community shortfalls that plagued us for a time after the post-Cold War drawdown, we continue to experience specific challenges in our efforts to retain the correct numbers and skill mix of warfighters within our unrestricted line community.

Surface Warfare Officer (SWO) Community

Retention among Surface Warfare Community department head (mid-grade) officers, typically with 6–10 years experience, has been a problem since fiscal year 1993. Community management of officers in year groups (YGs) 1994–1998 remains a challenge as we strive to ensure annual O–4 requirements are met and preclude excessive department head tour lengths. How successful we are will directly influence the career decisions of division officers approaching the end of initial service obligations. Meeting department head requirements is essential to ensuring a sufficient inventory of post-department head officers to support shore requirements at the O–4 level. We closed fiscal year 2003 with shortfalls in meeting our control strength goals. Implementation of a Surface Warfare Critical Skills Bonus has contributed towards reversing the downward trend in retention among O–4 SWOs. An aggressive program of engagement with junior officers and tying key graduate education programs to department head billets has helped mitigate the problem. This, along with a program that accelerates assignment of our most promising division officers to department head billets afloat, is helping ease the adverse effects of undermanned YGs in today's department head inventory. Availability of sufficient numbers of quality department heads to serve in the fleet remains the community's top priority.

Surface Warfare Officer Continuation Pay (SWOCP) continues to contribute to improved retention among these skilled and highly sought after fleet-experienced officers. The number of officers committing to serve as at-sea department heads continues to be encouraging and validates the effectiveness of SWOCP. We closed out fiscal year 2003 meeting 90 percent of department head requirements and have over

90 percent of department head school seats filled. The SWO career path nominally contains a 2-year shore tour prior to an officer returning to sea as a department head. This is where most SWOs make their first career decision on whether to commit to serve as department heads. SWO retention is measured at 9 years of commissioned service (YCS). Retention improved to 31 percent in fiscal year 2003, but remains below goal. Early commitments and take-rates for SWOCP by YG–97 and later foretell continued improvement in SWO retention. Due to lower-than-historical retention following the Cold War, and under-accessing several year groups at the height of the drawdown, SWO community retention must be at least 35 percent to fully support department head at-sea requirements, while 38 percent (goal) will restore much needed selectivity and flexibility in the distribution process.

Submarine Warfare Officer Community

Submarine community officer accession and retention requirements are based upon manning at-sea billets. Changes in the force structure directly impact at-sea billet requirements and increase necessary out-year accessions and retention. Submarine force structure projections were increased the last 2 years, following a decision to convert, vice decommission, four SSBNs to SSGNs, resulting in eight additional crews being retained in the force structure. The impact of additional force structure is felt most significantly at the department head level. This increases our accession mission, to meet future requirements, and our retention requirement, to fill the near-term increase in department head requirements. The submarine community measures retention as the continuation rate of officers from three to seven YCS, for a particular YG. This provides a measure of officers available for assignment to submarine department head, nominally at the eight YCS point. Fiscal year 2003 (YG–96) retention was 43 percent, which exceeded a 41-percent goal required to return department head tour lengths to 36 months. Although retention has improved in the near term, under-accessed year groups (YG–97 and YG–98) are approaching their "stay-leave" decision windows (7 YCS), and retention requirements for these year groups average 40 percent to meet department head manning requirements. For example, YG–97 will require a 43-percent retention rate just to meet requirements for that YG.

Nuclear Officer Incentive Pay (NOIP) has proven to be an effective tool in shaping submarine officer retention. NOIP rate increases in fiscal years 2001 and 2003 favorably impacted YG–96 retention. The 2001 increase yielded a 25-percent increase in the number of contracts executed for YG–96 compared with YG–94. The 2003 increase further boosted contracts executed to 41 percent. Continued stiff competition from the private sector for these officers remains a significant cause for concern. Submarine officers possess highly-specialized and unique skills associated with their lengthy and costly technical training. Having graduated at the top of their classes from some of the Nation's premier educational institutions, these officers are aggressively pursued for positions in a variety of career fields, many of which are outside the nuclear power industry. Inadequate retention imposes extension of demanding sea tours on officers still serving in order to meet safety and readiness requirements. Excessively long department head tours adversely impact junior officer retention creating a downward spiral. NOIP remains the surest and most cost-effective means of achieving required retention. With forecasts predicting substantial economic growth, and under-accessed YGs approaching department head tours, we must maintain competitive retention incentives so that we can lead, vice chase, the retention challenge.

Naval Special Warfare (NSW)/SEAL Officer Community

The retention metric utilized for SEAL officers is the average retention of officers with 7–10 YCS. SEAL officer retention requirements are necessarily high to meet the demand for a relatively large number of joint and Navy staff officer assignments for SEALs in pay grades O–4 through O–6. While we have sufficient numbers of volunteers for the SEAL officer program, accessions are limited due to the finite number of junior officer operational assignments. Navy implemented a Special Warfare Officer Continuation Pay (SPECWARCP) for officers with 6–14 YCS, and whose continuation is important to the health of the NSW community. Each of the first 3 years this was offered, the results exceeded the projected 74 percent goal of eligible officers to contract. While many of those contracts during the first 2 years were 1- and 3-year contracts, indicating a number of officers remained uncertain about their long-term service plans, contracts for fiscal years 2002–2003 tended to reflect longer commitments due to a contract rate-realignment. This coupled with increasing accessions beginning in fiscal year 1995, has contributed to community stability and a favorable long-term retention outlook. Additionally, realignment of SEAL teams under Force–21, creating more operational opportunities among mid-grade officers,

is expected to further increase overall retention since most individuals enter NSW to serve as warfighters.

Aviation Warfare Officer Community

Naval aviation retention in fiscal year 2003 was 49 percent through department head (12 YCS), surpassing last year's mark by 6 percentage points. Continued improvement can be partially attributed to 4 consecutive successful years of our Aviation Career Continuation Pay (ACCP) program and the sluggish economy. Despite this favorable retention trend, we remained over 600 junior officers below requirements at the end of fiscal year 2003. Aviators retained above fiscal year 2003 required Cumulative Continuation Rate, will help alleviate expected shortfalls this year. Required retention rates due to the T-Notch, caused primarily by under-accessing year groups during the drawdown, exceed 55 percent this year and will peak at 81 percent in fiscal year 2005, as under-accessed year groups enter their department head tours. Additionally, these ambitious, but necessarily high retention goals clearly illustrate the importance of retaining as many junior aviators as possible. Naval aviation shortages are due to a combination of low accessions, increased time-to-train and retention rates below requirements between fiscal years 1996–1999.

To maintain optimum combat readiness, Navy has identified and prioritized billets to ensure operational sea duty billets are manned at 100 percent. Next in priority are production billets ashore (pilot and Naval Flight Officer training). Aviator tour lengths have also been adjusted to ensure billet prioritization is maintained. We have been working aggressively to reduce time-to-train as well as increase aviator production throughput in the training command and Fleet Replacement Squadrons. By accessing to meet steady-state requirements, rated aviator shortages will begin to diminish by fiscal year 2007 and should be alleviated when fully accessed year groups enter their department head tours in fiscal year 2012 and beyond.

ACCP continues to be our most efficient and cost-effective tool for stimulating retention behavior to meet current and future requirements and overall manning challenges. Recent indicators of recovery within the airline industry, which may be expected to lead to increased hiring, suggest the need to continue offering competitive ACCP to address the continuing aviator shortfall and anticipated increasing challenges to aviator retention efforts. Targeted, stable, efficient, and judicious use of limited resources are hallmarks of Navy's ACCP program, which continues to offer the incentive necessary to stabilize our aviation manning profile; thereby sustaining operational combat readiness within naval aviation.

MAINTAINING A VIBRANT RECRUITING PROGRAM

Enlisted Recruiting and a Healthy Delayed Entry Program (DEP)

As mentioned earlier, Navy Recruiting experienced a highly-successful year in fiscal year 2003 and this success has continued through the first quarter of fiscal year 2004. A lower accession mission, professional and properly resourced recruiting force, and favorable economic conditions have all contributed to this success. Improving economic conditions and increased emphasis on higher recruit quality have not hurt overall recruiting efforts, thus far. Despite the fact that retention successes have allowed us to reduce the accession mission over the last several years, we must remain ever vigilant that prevailing winds could change quickly, for any number of reasons, necessitating a sudden surge in our recruiting goal. Economic conditions that have proven so favorable to Navy retention and, likewise, recruiting successes, are not expected to continue. The 6.4 percent national unemployment rate of June 2003 decreased to 5.7 percent by December and is projected to continue declining over the next 2 years. With such uncertainty looming on the recruiting horizon, it is critical that advertising and recruiting budgets remain sufficiently robust to adjust for swiftly improving economic conditions, but also to support continued pursuit of increasing recruit quality. Despite declining accession goals in recent years, the smaller more technical force we are building mandates additional emphasis on recruit quality and education.

Our success in meeting new-contract-objective has helped to restore the health of our DEP, which signals a high probability of long-term recruiting success. It has also allowed us to focus more closely on meeting goals for critically manned ratings. We were able to remove 41 ratings from the critically manned ratings list this past fiscal year and we recruited greater than 95 percent of the mission in five of the six remaining critically manned ratings. Another major advantage of a strong DEP is that it provides a strategic opportunity to improve recruit quality. Higher quality recruits are less likely to attrite during the first term of enlistment and are better suited for the increasingly technical 21st century Navy. A healthy DEP posture alleviates the necessity for crisis-managing each month's accession mission, permitting

recruiters to be more selective in the quality of recruits processed. Recruit quality is primarily measured by the percentage of High School Diploma Graduates (HSDGs), recruits scoring in Test Score Categories I–IIIA (CAT I–IIIA) or the top half on the Armed Forces Qualification Test (AFQT), and recruits possessing prior college experience.

In fiscal year 2003, we accessed 94.3 percent HSDGs, a significant improvement from the previous year's level of 91.9 percent and well above the DOD minimum standard of 90 percent. We accessed 65.7 percent CAT I–IIIA recruits against a DOD minimum standard of 60 percent and we achieved a 40-percent increase in the percentage of recruits with prior college experience. We are confident in our ability to improve upon these positive trends; therefore, we have set this fiscal year's bar even higher, 95 percent HSDGs, 67 percent CAT I–IIIA, and a 20-percent increase in the percentage of recruits with college experience. Through December 2003, we are on track to meet each of these objectives. Of particular note on the quality front, last fiscal year, 43.8 percent of African-American recruits were in CAT I–IIIA. During the first quarter of fiscal year 2004, 52.4 percent of African-Americans who have accessed, or who are contracted to access, are in CAT I–IIIA, allowing greater diversity representation among Navy's more technical ratings.

Penetrating the College Market

In fiscal year 2003, Navy accessed 7.8 percent recruits with prior college experience, largely attributable to aggressive recruiting efforts on junior college campuses. However, the need to improve college market penetration in the future will likely present a formidable challenge without incentives targeted towards college youth. As ships and aircraft become increasingly technically complex, the Navy's need for recruits with college experience and advanced vocational and technical training is increasing dramatically. The CNO Strategic Studies Group has foreseen a requirement for Navy to recruit 40 percent of its enlisted force through programs that result in an Associates Degree or directly from the Associates Degree market. Navy is exploring the need for authorities that would provide increased access to this market which is expected to become of significant importance to our future recruiting requirements.

Officer Recruiting

Fiscal year 2003 proved successful for active officer recruiting, as well. We met 23 of 24 officer community goals, including all goals in the unrestricted line, restricted line, and staff corps communities. We anticipate similar levels of success this fiscal year. The Dental Corps, in which we attained only 67 percent of mission, was the only officer community that did not achieve annual goal. We continue our efforts to increase minority recruiting into the officer corps to more closely mirror diversity representation among Americans receiving Bachelor's Degrees. We increased minority officer new contracts from 17.9 percent to 21 percent between fiscal years 2002 and 2003. Through the first 3 months of fiscal year 2004, we achieved 24.8 percent minority officer new contracts. Hispanic and African-American communities comprise the largest proportion of improvements between fiscal year 2002 and the first quarter fiscal year 2004.

Total Force Recruiting

Last fiscal year, we consolidated active and Reserve recruiting efforts under Commander, Navy Recruiting Command (CNRC) to establish a Total Force Recruiting mission through unity of effort and command to maximize effectiveness and efficiency. Several pilot programs involving various levels of the chain of command and both enlisted and officer recruiting are underway to evaluate the impacts of the organizational change on active and Reserve accession missions. Additionally, beginning with fiscal year 2005 President's budget submission, active and Reserve component recruiting Operations and Maintenance (O&M) Accounts have been merged in support of the consolidation effort.

While Navy recruited 106 percent of the overall enlisted Selected Reserve (SELRES) goal in fiscal year 2003, several ratings, including Master-at-Arms and hospital corpsman, achieved less than 70 percent of their respective goals. In fiscal year 2004, Navy plans to access about 1,000 National Call to Service (NCS) candidates to meet near-term active duty manning requirements, as well as future SELRES drilling requirements in hard-to-fill ratings, including significant numbers of Master-at-Arms and hospital corpsman. Through the first quarter, fiscal year 2004, we are on track to meet our overall enlisted SELRES accession mission. Three years of experiencing the highest retention rates among active enlisted personnel in our history has led to an inevitable decline in the number of prior service veterans available to enter the Naval Reserve. Consequently, we were compelled to increase non-prior service Reserve accessions to 39 percent in fiscal year 2003, in stark con-

trast with 18 percent and 32 percent in fiscal years 2001 and 2002, respectively. This clearly has its downside in that a greater percentage of SELRES accessions are not deployable until they receive extensive training and experience; thereby, adversely impacting personnel readiness with the Naval Reserve. Through enhanced aggressive prior service recruiting, we hope to limit non-prior service accessions to approximately 18 percent this fiscal year. Similar retention behavior among active component officers yielded a similar impact on officer SELRES recruiting mission in fiscal year 2003. Several officer communities requiring prior service experience did not meet accession goals and contributed to attainment of just 91.2 percent overall officer SELRES accession mission. Through first quarter fiscal year 2004, we are on track to meet our overall officer SELRES accession mission this year.

CONCLUSION

Mr. Chairman and distinguished members of this Personnel Subcommittee, the dedicated men and women of the world's premier naval force continue to sustain our forward worldwide presence on a daily basis in this third year of the global war on terrorism. As our CNO has made very clear, "At the heart of everything good in our Navy today is this: we are winning the battle for talent. This is the highest quality Navy the Nation has ever seen." Your continued support for our force-shaping initiatives and programs will maintain that high quality and prepare us to better meet the challenges of the 21st century. In this way, we will collectively set the stage to project greater power and provide greater protection to our Nation—enhancing our security in the dangerous and uncertain decades ahead.

Senator CHAMBLISS. Thank you, Admiral.

General Parks, we're pleased to have you with us.

STATEMENT OF LT. GEN. GARRY L. PARKS, USMC, DEPUTY CHIEF OF STAFF FOR MANPOWER AND RESERVE AFFAIRS, UNITED STATES MARINE CORPS

General PARKS. Thank you, Mr. Chairman and Senator Nelson.

It's my pleasure to appear before you this afternoon to report on the personnel status and future manpower picture of your Marine Corps, and to thank you for your support of our dedicated marines and your support of their families.

Today's Marine Corps is comprised of young men and women of character who have a strong work ethic, sound moral fiber, and the desire to be challenged. The President's budget continues to raise their basic pay and reduces their out-of-pocket expenses for housing. Additionally, the President's budget provides valuable funding for recruiting and retention programs, foundational areas in today's challenging personnel environment. A comprehensive compensation strategy is important to continued future success.

Due to the hard work of our recruiters and marine leaders all across the Corps, we will once again exceed our recruiting and retention goals. The Corps remains on pace for our 9th consecutive year of achieving our recruiting mission.

As our Marine Expeditionary Units maintain their regular performance worldwide, a contingent of marines will arrive in Haiti, and we are currently deploying 35,000 marines to OIF 2. In support of the global war on terrorism, the Corps has less than 4,000 Selected Marine Corps Reserve unit marines mobilized, and 1,300 individual volunteers, who are filling important joint and internal billets. Our marines are working hard. They are clearly stretched, but they are doing what they trained to do. We're watching our recruiting and retention numbers and other indicators more closely than I have ever seen in the past, and to date they remain strong. We remain optimistic about the overall health of the Marine Corps in this challenging personnel environment.

Lastly, as evident in recent testimony, interest concerning sexual assault is high, and appropriately so. Eliminating sexual assault is a leadership issue and one that Marine Corps leaders will confront directly.

Again, the Marine Corps expresses its sincere thanks for the support of Congress and of this subcommittee. Your desire to safeguard the needs of the Marine Corps is vital as we seek to positively affect readiness, retention, and morale by increasing pay, benefits, and the quality of life of our marines and their families.

I look forward to answering your questions.

[The prepared statement of General Parks follows:]

PREPARED STATEMENT BY LT. GEN. GARRY L. PARKS, USMC

Chairman Chambliss, Senator Nelson, and members of the subcommittee: I am honored to appear before you today to provide an overview of your United States Marine Corps, from the personnel perspective. The continued commitment of Congress to increasing the warfighting and crisis response capabilities of our Nation's Armed Forces, and to improving the quality of life of marines, is central to the strength that your Marine Corps enjoys today. We thank you for your efforts to ensure that marines and their families are poised to continue to respond to the Nation's call in the manner Americans expect of their Corps.

OVERVIEW

General

Up front I will highlight a few key points. The Navy-Marine Corps team continues to play a critical role in the global war on terrorism, and in the establishment of stability and security throughout the world. During this past year, the Marine Corps, both active and Reserve, was engaged in operations from Afghanistan, to the Arabian Gulf, the Horn of Africa, Liberia, the Georgian Republic, Columbia, Guantanamo Bay, and the Philippines. Currently, I Marine Expeditionary Force is deploying 25,000 active and Reserve marines to Iraq as part of Operation Iraqi Freedom (OIF) II. Stated succinctly, your marines are working hard, but the force remains strong.

Our superb recruiters continue to meet their mission, as they have month after month for over 8 years. Through their hard work we continue to exceed the goals for quality recruits established by the Department of Defense (DOD), as well as the higher standards established by the Commandant of the Marine Corps. Similarly, as has been the case for the past 10 years, we remain postured to attain our annual retention goal for first-term marines electing to become members of the career force; this year 5,974 first term marines will reenlist, 25 percent of the eligible population. We completed the second year of our subsequent term retention plan for the career force, meeting our targets in this category, and are well on our way to meeting the fiscal year 2004 career force retention goal of 5,628 marines. Finally, last year we achieved a 19-year high in officer retention, with 93 percent of our officers staying in the Corps. Obviously, the support of Congress to ensure appropriate pay and compensation improvements provides the environment crucial to the success experienced to date.

Funding

The fiscal year 2005 budget provides for a total force of 175,000 active duty marines, 39,600 Reserve marines, and 13,200 appropriated fund civilian marines. Approximately 59 percent of our military personnel funds are targeted toward basic pay and retired pay accrual. Essentially all of the remaining funds address regulated and directed items such as Basic Allowance for Housing (BAH), Defense Health Care, Basic Allowance for Subsistence, Permanent Change of Station relocations, and special and incentive pays. Only 1 percent of the military personnel budget is available to pay for discretionary items such as our Selective Reenlistment Bonus (SRB), Marine Corps College Fund recruitment program, and Aviation Continuation Pay. While this is a manageable amount, it provides little flexibility. Of the few discretionary pays that we utilize, the SRB is crucial. We take pride in our prudent stewardship of these critical resources. For fiscal year 2005 we are seeking a judicious increase in funding to $56.7 million, from $51.8 million in fiscal year 2004. This remains just one-half of 1 percent of our military personnel budget, but it allows us to effectively target our retention efforts. Military personnel funding,

as a whole, represents 60 percent of the U.S. Marine Corps' Total Obligation Authority (TOA), leaving just 40 percent for infrastructure, investment, and operations and maintenance requirements. Similar to our minimal level of discretionary military personnel funding, the Marine Corps, with the smallest budget of the four Services, has limited flexibility overall to respond to additional unprogrammed mandates.

The Marine Corps appreciates the efforts by this subcommittee to raise the standard of living for our marines. Being a marine is challenging and rewarding. America's youth continue to join the Marine Corps, and remain, in a large part because of our institutional culture and core values. However, it is important that the environment—the other factors in the accession and retention decision—remain supportive, to include compensation. Compensation is a double-edged sword in that it is a principle factor for marines both when they decide to reenlist and when they decide not to reenlist. Private sector competition will always seek to capitalize on the military training and education provided to our marines—marines are a highly-desirable labor resource for private sector organizations. The support of Congress to continue reasonable increases in basic pay, eliminating "out of pocket" expenses associated with the BAH, and ensuring a sound comprehensive compensation and entitlements structure greatly assists efforts to recruit and retain the quality Americans you expect in your Corps.

RECRUITING

Active Duty

In fiscal year 2003, the Marine Corps realized unprecedented recruiting success, achieving 103.5 percent of enlisted contracting and 100.1 percent of enlisted shipping objectives. Over 97 percent of those shipped to recruit training were Tier 1 high school diploma graduates, well above the DOD and Marine Corps standards of 90 percent and 95 percent, respectively. In addition, 70 percent were in the I–IIIA upper mental testing categories; again well above the DOD and Marine Corps standards of 60 percent and 63 percent, respectively. Lastly, for officers, 100 percent of mission was achieved.

Reserve Component

The Marine Corps Reserve, similarly, achieved its fiscal year 2003 recruiting goals with the accession of 6,174 non-prior service marines and 2,663 prior service marines. For our Reserve component, officer recruiting and retention to fill out the requirements of our Selected Marine Corps Reserve units remains our most challenging recruiting concern. This challenge exists primarily due to the low attrition rate for company grade officers from the Active Force. The Marine Corps recruits Reserve officers almost exclusively from the ranks of those who have first served a tour as an active duty marine officer. We are exploring methods to increase the Reserve participation of company grade officers in the Selected Marine Corps Reserve through increased recruiting efforts, increased command focus on emphasizing Reserve participation upon leaving active duty, and Reserve officer programs for qualified enlisted marines.

Recruiter Access

The Marine Corps is grateful to Congress for the benefits derived from legislation enabling recruiter access to high school student directory information. America's youth can learn about career opportunities in both the public and private sectors now that our recruiters are afforded access equal to other prospective employers. We look forward to your continued support as we strive to meet the increasing challenges of a dynamic recruiting environment.

Fiscal Year 2004

The key tenants of the fiscal year 2004 recruiting strategic plan are to: (1) continue long-term recruiting success by placing mission accomplishment above all else; (2) emphasize the benefits of early mission attainment in "quality of life terms" that will influence the recruiter; (3) stress safety in all that we do; and (4) continue to enhance the image of recruiting duty in order to ensure we replace our recruiters with the same high quality marines who have laid the groundwork for our success.

Accomplishing the Mission

The Marine Corps' recruiting environment is dynamic and challenging, particularly with regards to market propensity. Nevertheless, for more than 8 years in this dynamic environment we have met our mission. We intend to continue this success, in the future, but it will hinge on our ability to overcome our target market's low propensity to enlist and the increased cost of advertising, while maintaining innova-

tion in our marketing campaign. Marketing by its very nature requires constant change to remain virulent and relevant. While our brand message of "Tough, Smart, Elite Warrior" has not changed in theoretical perspective, the Corps continues to explore the most efficient manner to communicate and appeal to the most qualified young men and women of the millennial generation.

Ensuring young men and women hear and understand the recruiting message requires continual reinforcement through marketing and advertising programs. To do this we continue to emphasize our core competencies of paid media, generating leads for recruiters, and providing the recruiters with effective sales support materials. Quality advertising aimed at our target market provides the foundation for establishing awareness about Marine Corps opportunities among young men and women.

Paid advertising continues to be the most effective means to communicate our message and, as a result, remains the focus of our marketing efforts. As advertising costs continue to increase it is imperative that our advertising budgets remain competitive in order to ensure that our recruiting message reaches the right audience. Marine Corps recruiting successes over the past years are not only a direct reflection of a quality recruiting force, but also an effective and efficient marketing and advertising program.

Quality of Life and Safety

Continuous improvement in quality of life for our personnel is vitally important. Our marines and families are dispersed throughout America, away from the traditional support systems of our bases and stations. Therefore, we expend great effort to ensure awareness of numerous support programs adapted for their benefit. One such program instituted in 2003 is a Marine Corps Community Services (MCCS) OneSource, a program offering assistance, advice, and support on a wide range of everyday issues. This 24/7, 365 day-a-year, enhanced employee assistance service can be accessed anytime via toll free numbers, email, or the Internet and is especially useful for remote marines, such as recruiters.

Marine Corps recruiting remains committed to improving the health and safety of all marines, sailors, civilian marines, and members of the officer and enlisted entry pools. Operational risk management and traffic safety are emphasized at all levels and involve both on and off duty activities. Our goal is to continue to accomplish the recruiting mission while minimizing risk and the potential for loss of life and equipment.

Recruit the Recruiter

Our success in recruiting hinges on the marine—our recruiters—whose efforts and dedication to the task provide our institution with its next generation of warriors. Our recruiters are the Corps' ambassadors to the American public and represent the virtues of the Marine Corps in a single individual.

Because recruiters who volunteer for this demanding duty perform at a higher level and, subsequently, experience a better quality of life, the Marine Corps Recruiting Command has taken cost effective measures to recruit our own recruiters. Through education, media venues, and the Headquarters Recruiter Screening Team process, the Marine Corps Recruiting Command will continue to shape the image of recruiting as a desirable duty that will attract the best and brightest to the recruiting force. As a result of this "Recruit the Recruiter" initiative, our percentage of recruiters who volunteer continues to rise.

RETENTION

A successful recruiting effort is but one part of placing a properly trained marine in the right place at the right time. The dynamics of our manpower system must match skills and grades to our commanders' needs throughout the operating forces. The Marine Corps endeavors to attain and maintain stable, predictable retention patterns. However, as is the case with recruiting, civilian opportunities abound for marines as employers actively solicit our young marine leaders for private sector employment. Leadership opportunities, our core values, and other similar intangibles are a large part of the reason we retain dedicated men and women to be active duty marines after their initial commitment. Of course retention success is also a consequence of the investments made in tangible forms of compensation and in supporting our operating forces—giving our marines what they need to do their jobs in the field, as well as the funds required to educate and train these phenomenal men and women.

Enlisted Retention

We are a young force. Achieving a continued flow of quality new accessions is of foundational importance to well-balanced readiness. Within our 154,600 marine ac-

tive duty enlisted force, over 27,000 are still teenagers and 104,000 are on their first enlistment. As noted at the outset, in fiscal year 2004 we will reenlist approximately 25 percent of our first-term marine population. These 5,974 marines represent 100 percent of the career force requirement and will mark the tenth consecutive year that we will achieve this objective. To better manage our career force, we introduced the Subsequent Term Alignment Plan in fiscal year 2002 to track reenlistments in our career force. In fiscal year 2003, our second year, this proved to be a huge success as we met our career reenlistment goals and achieved a 94-percent skill match. Given the strong draw from the civilian sector, further emphasis in retention of our career force was achieved by effectively targeting 40 percent of our SRB program resources to maintain an experience level on par with previous years. As commented before, the SRB is a powerful tool and we take great pride in our prudent stewardship of these resources. In the aggregate, we are seeking a judicious increase in SRB funding for fiscal year 2005 to $56.7 million, from $51.8 million in fiscal year 2004. While just one-half of 1 percent of our military personnel budget, it allows us the means to effectively target our retention efforts.

A positive trend is developing concerning our first term non-expiration of active service attrition—those marines who depart before their enlistment is completed. As with fiscal years 2002 and 2003, we continue to see these numbers decrease. The implementation of the Crucible and the Unit Cohesion programs continues to contribute to improved retention among our young marines who assimilate the cultural values of the Corps earlier in their career. The impact of this lower attrition allowed a reduced recruiting mission in both fiscal years 2003 and 2004.

Our enlisted force is the backbone of the Corps and we make every effort to retain our best people. Although we regularly experience minor turbulence in some specialties, the aggregate enlisted retention situation continues to be encouraging. We are segmenting and tracking retention indicators closer than ever and the numbers remain solid. Given the demands on our Corps, we will continue a watchful eye on the numbers.

Primarily because these quality young marines remain in high demand in the civilian sector, some shortages continually exist in high-tech Military Occupational Specialties (MOS) that are an important part of our warfighting capability. These highly-technical specialty shortages include intelligence, data communications experts, and air command and control technicians. As mentioned, specialty shortages are addressed with the highly-successful SRB program. These funds are targeted 60 percent and 40 percent between first term and career force reenlistments, respectively. The SRB program greatly complements our reenlistment efforts and clearly improves retention within our critical skill shortages. In fiscal year 2004, the Corps is continuing to pay lump sum bonuses, thus increasing the net present value of the incentive and positively influencing highly-qualified, yet previously undecided, personnel. It is a powerful influence for the undecided to witness another marine's reenlistment and receipt of his or her SRB in the total amount. With the added benefit of the Thrift Savings Program (TSP), our marines can now confidently invest these funds toward their future financial security.

Officer Retention

Overall, officer retention continues to experience great success. Our aggregate officer retention rate reached a 19-year high of 93.5 percent in fiscal year 2003. The significant increase in our officer retention rate directly corresponds to a reduction in voluntary separations. Nevertheless, as with the enlisted force, we have some skill imbalances within our officer corps; fixed-wing aviation, intelligence, and command and control.

While fixed wing pilot retention remains a concern, we are cautiously optimistic. Aggregate fiscal year 2003 retention targets for aviators were met, though deficiencies remain in some fixed wing pilot year groups based on attrition from the late 1990s. In the interim these gaps are covered by rotary wing pilots and naval flight officers filling a larger share of staff billets, thereby not impacting the flying squadrons. Retaining aviators involves a concerted effort in multiple areas. Important elements include recent retention initiatives that reduce the time to train, and supplementary pay programs such as Aviation Continuation Pay provide a proactive, long-term aviation career incentive to our field grade aviators. We remain focused on retaining mid-grade aviators—junior majors through lieutenant colonels—and will continually review our overall aviation retention posture to optimize our resources.

Overall, the Marine Corps' officer and enlisted retention situation is very encouraging. With the phenomenal leadership of our unit commanders, we expect to achieve every strength objective for fiscal year 2004, and start fiscal year 2005 poised for continued success. Again, while the Corps is stretched to meet our current operational commitments, this has not negatively impacted our recruiting nor our

retention; however, we continue to monitor both very closely. The Marine Corps remains optimistic, thanks in large measure to the continued support of Congress.

END STRENGTH

The Marine Corps is assimilating the congressionally authorized increase in Marine Corps end strength to 175,000. The increase of 2,400 marines addressed an urgent need to train and maintain additional marines for the long-term requirements associated with the global war on terrorism. It has been particularly important in enabling us to provide the Nation with a robust, scalable force option specifically dedicated to antiterrorism—the 4th Marine Expeditionary Brigade (Antiterrorism).

The Marine Corps is expeditionary by nature and therefore accustomed to deploying in support of contingency and forward presence missions. We are structured in such a way as to satisfy our enduring requirements and meet operational contingencies as long as the contingencies are temporary in nature. The question concerning increasing end strength hinges on the duration of our commitments. If the current commitment is short term and represents a spike, then we believe that we can sustain the pace through initiating measures utilizing our current authorizations and flexibilities. Using measures such as increased accessions, expanded cross year extensions, targeted SRBs, directing non-infantry units such as artillery into a more traditional infantry role, and continued measured use of reservists will allow us to satisfy our requirements. Further, we are looking at several initiatives to enhance and better target our Reserve capabilities. Similarly, we will continue to pursue complementary initiatives, such as military to civilian conversions in order to realign more marines into the operating forces.

Again, while stretched, we are meeting our challenging international commitments. Our higher operational and personnel tempos have not decreased the propensity of great Americans to either enlist or reenlist.

MARINE CORPS RESERVE

From immediate support on September 11, 2001, to combat operations in Afghanistan in 2002 and Iraq in 2003, the Marine Corps Reserve has demonstrated its ability to rapidly mobilize combat ready marines to augment and reinforce the active component. In support of Operation Noble Eagle (ONE) and Operation Enduring Freedom (OEF), 4,463 Reserve marines were on active duty in March 2002. Just over a year later 21,316 Reserve marines were on active duty in May 2003 to support OIF, representing 52 percent of the Selected Marine Corps Reserve. Marine Corps Reserve units and individuals were ready and rapidly integrated into gaining force commands, fighting along side their active component counterparts and making a difference, demonstrating a key core competency emphasized in Marine Corps Strategy 21. Of the over 5,400 reservists currently on active duty, almost 1,300 Individual Mobilized Augmentees, Individual Ready Reserves (IRR), and retirees fill critical joint and internal billets. As of January 2004, the Marine Corps Reserve began activating the approximately 7,000 marines that will ultimately support some segment of OIF II. Judicious employment of Reserve marines remains a top priority of the Marine Corps to ensure they retain the capability to augment and reinforce the active component.

A strong inspector-instructor system and a demanding Mobilization and Operational Readiness Deployment Test program ensure Marine Corps Reserve units achieve a high level of pre-mobilization readiness. Marine Corps Reserve Units continuously train to a C1/C2 readiness standard, eliminating the need for post-mobilization certification. Ninety-eight percent of selected Marine Corps Reserve marines reported for mobilization and only .4 percent requested a deferment, delay, or exemption. For OIF the Marine Corps Reserve executed a rapid and efficient mobilization with units averaging 6 days from notification to being deployment-ready and 32 days from deployment order to arrival in-theater. Many Reserve units activated were ready to deploy faster than strategic lift was available.

Building on the important lessons learned of the last year, the Marine Corps is pursuing several initiatives to enhance the Reserves' capabilities as a ready and able partner of the total force Marine Corps. These pending initiatives include: increasing the number of military police (MP) units in the Reserve component; establishing a Reserve Intelligence Support Battalion that will enhance command and control of Reserve component intelligence assets, to include placing Reserve Marine Intelligence Detachments at the Joint Reserve Intelligence Centers; returning some of our civil affairs structure to the active component to provide enhanced planning capabilities for operational and Service headquarters; and introducing an improved Individual Augmentee management program to meet growing joint and internal requirements.

CIVILIAN MARINES

Civilian marines are integral to the Corps' Total Force concept. We have approximately 25,000 civilian marines, of which about 13,000 are appropriated fund employees and about 12,000 are nonappropriated fund employees. Our appropriated fund civilian marines comprise just 2 percent of the total DOD civilian workforce, the leanest ratio of civilians to military in DOD. Our remaining civilian marines, our nonappropriated fund personnel, are primarily resourced by revenue-generating activities and services such as exchanges, clubs, golf courses, bowling centers, and gas stations. Our civilian marines fill key billets aboard Marine Corps bases and stations, thus freeing active duty marines to perform their warfighting requirements in the operating forces.

Civilian Workforce Campaign Plan

The Marine Corps' strategic road map to achieving a civilian workforce capable of meeting the challenges of the future is the Civilian Workforce Campaign Plan, a 5-year plan to address the entire life cycle of a civilian marine, from recruitment to career development to retirement and separation. We enlisted the active involvement of our Senior Executive Service members as advocates to significantly enhance the management of our civilian workforce. The clear objective is to make the Marine Corps the "employer of choice" for a select group of civilians who are imbued with the Marine Corps values of honor, courage, and commitment and who seek challenging and rewarding careers. We are committed to building leadership skills at all levels, providing interesting and challenging training and career opportunities, and improving the quality of work life for all civilian marines.

National Security Personnel System (NSPS)

We look forward to executing the authorities enacted in the National Defense Authorization Act for Fiscal Year 2004, providing for the NSPS. We believe this will allow us to be a more competitive and progressive employer at a time when our national security demands a highly-responsive system of civilian personnel management. Later this year, following an appropriate training program for supervisors, managers, human resources specialists, employees, as well as commanders and senior management, the Marine Corps, along with the entire Department of the Navy, expects to be in the first wave of implementation.

Military-Civilian Conversions

Military to civilian conversions offer the Marine Corps an opportunity to continue to move more marines into the operating forces. From fiscal year 2002 to fiscal year 2007 the Marine Corps planned to move 3,019 marines back to the operating forces through outsourcing and military to civilian conversions. The fiscal year 2005 President's budget converts an additional 1,372 billets, providing more options to increase manning in the operating forces. The commandant has directed the Marine Corps to pursue this program aggressively—to get marines back to the "fleet" and to do what is right for the Corps. We view this as an integral part of our rebalancing the force and end strength determinations.

MOBILIZATION

Since September 11, the Marine Corps has had to rely on the mobilization of both the Selected Marine Corps Reserve and IRR marines in response to both internal and joint operational requirements. The Marine Corps maximized the use of IRR volunteers to meet these requirements, primarily in the areas of staff augmentation and force protection. As previously mentioned, at the height of OEF and OIF, the Marine Corps had 21,316 Reserve marines on active duty. As of February 20, 2004, we had 5,479 marines mobilized; 4,323 in Selected Marine Corps Reserve units, and 1,276 individual augmentees, and we have approximately an additional 7,000 marines that will be mobilized for our OIF II requirements.

Since September 11, we have only had 1,169 marines activated more than once, of which 387 are currently activated. Furthermore, the Marine Corps "involuntarily" activated 2,063 IRR marines for use as linguists, intelligence specialists, and for force protection requirements. Of these 2,063 only 307 remain activated; 271 have voluntarily extended their activation orders and the remaining 36 asked to complete their existing activation orders, the last the 36 will deactivate in April 2004. Since September 11, 47 percent of our Selected Marine Corps Reserve Marines, 59 percent of our Individual Mobilization Augmentees, and 5 percent of our IRR marines have been activated at least once.

Similar to the active component, the burden of activation for the Reserve component has been within the high demand/low density specialties such as civil affairs, KC–130, MPs, and intelligence. To date, 96 percent of the civil affairs, 89 percent

of the KC–130, 72 percent of law enforcement, and 69 percent of the intelligence marines have been activated as compared to 50 percent of Reserve infantry marines. The continuing growing demands being placed on the high demand/low density skills is not a problem unique to the Marine Corps, and is something that we, along with the other Services, will address as we rebalance the force.

MANAGING TIME AWAY FROM HOME

The Marine Corps remains committed to maintaining the proper balance between operational deployments and the quality of life of our marines and their families. Having said this, marines join to train and deploy, and we do not disappoint them. Service in the Marine Corps requires deployments for readiness and mission accomplishment.

As a result of the current operational requirements, the Personnel Tempo (PERSTEMPO) of our marines has increased. Currently, there are 1,959 active component marines and 2,079 Reserve component marines who have exceeded the 400-day PERSTEMPO threshold as compared to 331 active component marines and 891 Reserve component marines at this same time last year. Additionally, we have 42,721 active component marines and 17,099 Reserve component marines who have accumulated between 182 and 399 PERSTEMPO days, as compared to 29,831 and 6,199 1 year ago, respectively. The significance and impact of the increased numbers of marines with high PERSTEMPO numbers remains to be seen. The Marine Corps benefits by being largely composed of first-term marines, whose retention is less affected by increased operational requirements. Of primary concern, then, is the impact on our career force, especially the officers and the staff noncommissioned officers in the 8 to 12 year range. Whether increased levels of PERSTEMPO adversely affect the retention of our marines, to what extent, and whether they are sustainable, depends upon the duration of the increased PERSTEMPO. To date, there is no evidence that this has adversely affected the retention of marines.

Each individual marine is different, but all are influenced to some degree by intangible factors such as the quality of leadership and the care and concern shown for family members who must endure long separations. In general, marines are recruited based on these intangibles and they will accept greater hardships and longer deployments as leaders inspire trust and link them personally to the fulfillment of national and strategic goals.

CARING FOR MARINES AND FAMILIES DURING OPERATIONAL DEPLOYMENTS

This has been a very busy year for the Marine Corps, and the marines who marched into Baghdad certainly rose to the challenge. In support of these warfighters, the installation commanders and quality of life program managers also rose to the challenge providing outstanding support at home and abroad. As an expeditionary force, the Marine Corps must provide quality of life support to deployed marines based on the duration and intensity of the operation. Programs for those deployed are designed to provide health and comfort with a touch of home during a mission. The Marine Corps also must continuously take care of marines and families left behind on the home front. As they carry out their mission, marines trust us to see that their families are part of a community that takes care of its own. Programs and services for those on the home front are designed to provide a sense of community, and to proactively address potential areas of concern for the marine and his or her family.

Casualty Reporting

The most challenging time to provide support is after the death of a beloved marine. The marines and civilian marines performing casualty assistance duties are truly special people. One of the challenges faced last year during OIF, and that we will continue to face moving forward, involves the "CNN effect"—the expectation for instant information in a 24-hour news society. We must balance the public's desire for immediate information with the military's responsibility to "get it right" and focus on the family's needs. During OEF and OIF, next of kin notification occurred within the 8 hour DOD goal, and generally within 2 to 4 hours. Based on our lessons learned, we are using a new set of software tools to enhance our deployed commanders capability to communicate with the Headquarters Marine Corps Casualty office, and to track an injured/ill marine throughout the entire medical process.

Tactical Field Exchanges

Deployed marines are provided "all the comforts of home" through tactical field exchanges that provide everything from health and comfort items, to movies, CDs, and snack foods. For OEF and OIF, the Marine Corps successfully partnered with the Army and Air Force Exchange Service. We provided marines to run the tactical

field exchanges in Iraq at Camps Edson, Bush Master, Viper and Chesty; in Kuwait at Camps Fox, Marine Land, Commando, and Coyote; and in Djibouti in the Horn of Africa. Mobile tactical field exchanges were also operated off the back of seven-ton trucks to provide service to front line camps. This partnership will continue for OIF II.

Postal Support

It is no great surprise that one of the best morale boosters for any deployed service member is receiving mail from loved ones at home. Postal marines delivered nearly 7.5 million pounds of mail to marines deployed to OIF. Delivery times averaged between 10 to 14 days. While we know of some complaints about delays in mail delivery, it occurred largely during the offensive phase when commanders asked that mail be held due to the fluidity of the battle, limited convoy operations, and security issues.

As 66,000 marines were deployed away from their home installations at the height of operations last year, program managers carefully captured lessons learned, such as the "CNN effect" and the subsequent desire for immediate information, and the overwhelming generosity of the American people in providing gifts to deployed marines. By incorporating lessons learned, we will ensure quality of life programs continue to meet the needs of deployed marines and families who remain at home. We are very proud of our success on the battlefield and greatly appreciate the support and concern for deployed marines and their families displayed by Congress and the American people.

Other Deployed Support

In addition, support for deployed marines can include open-air or make-shift fitness centers; telephones to call home; miscellaneous recreation supplies such as sports equipment, games, books, and camcorders; and voluntary education opportunities while afloat. For longer deployments and in areas where electricity can be sustained for some period of time, commanders can have access to Internet cafes, Playstation game systems, VCRs/DVD players, and more extensive fitness equipment. As an example, current facilities/programs in Djibouti include a 24-hour per day, 7 day per week operation that includes a recreation center, two fitness centers, a library, a running trail, an outdoor swimming pool, scuba certification classes, United Service Organization (USO) entertainment, and cultural tours of the local area.

Taking Care of the Families of Deployed Marines

While marines are focused on the mission in Iraq and Afghanistan and other places around the world, back at home, MCCS has been established at our major bases and stations to not only support marines and their families in their daily lives, but also during deployments.

As I mentioned, one of the key issues for families of marines deployed last year was the 24-hour news cycle, replete with embedded reporters and continuous images of operations, creating uncertainty for our families. An immediate need for information became the expected norm. Community and Family Assistance Centers were established at Camp Lejeune, Camp Pendleton, Miramar, Yuma, and Twentynine Palms, and operated 24/7 as necessary to provide information and referral services related to deployed marines and their family members, and others who support and care for marines. At the height of OIF, these centers were receiving an average of 150–300 calls per day.

During deployments, marine families bear the burden of waiting, and the added responsibility of keeping the family together and functioning as normally as possible. Just as described for our recruiters, MCCS OneSource is a valuable asset that provides marines and their families with helpful information before, during, and after deployment in support areas including parenting and childcare, education services, financial information and advice, legal, elder care, health and wellness, crisis support, and relocation. Available Corps-wide beginning January 2003, over 26,000 calls and emails had been received by the end of fiscal year 2003, with about 80 percent of the usage occurring online. MCCS OneSource is especially useful to quickly acclimate our activated Reserve Marines and their families to the requirements and procedures associated with utilization of military programs such as TRICARE and other benefits and services, in addition to off-base customers like the recruiters I mentioned earlier.

At each of our bases or stations, the Key Volunteer Network Program serves as the official communication link between the deployed command and the families. Additionally, the Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.) Program is offered to new marine spouses to acquaint them with the military lifestyle and the Marine Corps, including the challenges brought about by frequent de-

ployments. We have recently developed an online and CD–ROM version of L.I.N.K.S, which makes this valuable tool more readily accessible for working spouses or those located away from Marine Corps installations. Families of deployed marines can also receive assistance in developing proactive, prevention oriented plans such as family care plans, powers of attorney, family financial planning, and enrollment in the Dependent Eligibility and Enrollment Reporting System. The Family Readiness Officer and the support structure within the Marine Corps Family Team Building staff play a key role in this area. Additional services are provided to those who need respite childcare, assistance coping with separation, or specialized support in areas such as spiritual guidance, coping, and social skills. Our deployed commanding officers have confirmed the importance of this family readiness support while they were away and as part of their homecoming.

Local Community Support For Our Deployed Marines and Their Families

Local communities outside our installations' gates are significantly impacted by marine deployments, not just because local businesses experience sales and revenue declines, but because marines and family members often immerse themselves in the local community by volunteering as coaches, Boy and Girl Scout leaders, and fire fighters, to name a few. Feeling the loss and an overwhelming desire to support our marines and families, local Chambers of Commerce and other civic leaders at Camp Lejeune, Camp Pendleton, Twentynine Palms, Miramar, and Yuma, for example, made a special effort to interact and engage with those who remained. We sincerely appreciate their specific support and the outpouring of love from all the others who took the time to write a letter, send a package, or keep us in their prayers.

Return and Reunion

Separation is one of the challenges of the military lifestyle. We specifically program help to meet this challenge. For the deployed marine and his or her loved ones, the return home is especially emotional and highly anticipated. In recognition of the importance of the transition home after deployments for both marines and their families, the Marine Corps developed standardized return and reunion aids such as warrior transition briefs and counseling for the returning marine, and a return and reunion guidebook to help marines and family members prepare for and enjoy their reunion.

EVERYDAY SUPPORT FOR MARINES AND FAMILIES ON INSTALLATIONS

When deployments are over for marines, and their families are settling into their "normal" or more daily lives, our bases and stations serve as home. We strive to provide them hometown services and support that contribute to their need for "normalcy." Along the way, through these hometown services, we also seek to improve personal and family readiness in recognition of the important role that military families play in mission readiness by focusing on the following six goals: (1) increase family readiness; (2) help marines and families live healthy lifestyles; (3) help to develop and return responsible citizens after military service; (4) connect marines and families with America and the Marine Corps way of life; (5) help marines and families pursue lifelong learning goals; and (6) provide valued goods and services to marines and their families.

Family readiness programs, such as the Key Volunteer Network and L.I.N.K.S. programs already mentioned, support families in a manner that allows the marine to focus on their duty, which enhances the mission readiness of their unit. As an example, the Marine Corps provides for the children of marines so that the marine parent is more mission ready because they are confident that their children are in a safe, quality, affordable childcare setting. The Marine Corps provides childcare at 24 Childcare Development Centers, 577 Family Child Care Homes, and 15 School Age Care Programs. In addition, there are 17 Youth Programs serving over 125,000 youth and teens. An example of the additional support we will be providing with fiscal year 2004 supplemental funds is a new initiative to provide enhanced extended childcare. The Marine Corps is piloting this program for 36 months at Camp Lejeune, Camp Pendleton, and Twentynine Palms to provide extended childcare free of charge for eligible patrons when they have an unanticipated emergency or mildly ill children and their regular childcare arrangements are not available. We plan to begin the pilot this quarter.

Healthy lifestyles are important not just for marines who must meet the physical challenges of duty, but also for family members. Our Semper Fit program meets these needs with quality fitness centers and health promotion efforts. Recreation activities like sports programs, bowling centers, marinas, and theatres along with leisure activities like block parties, concerts, picnics, parties, and information fairs

complement the Semper Fit program by providing wholesome, affordable, and quality leisure and recreation time.

Lifelong learning is achieved through a variety of educational programs valuable to the development of marines. Library services on bases and deployed with marines, as well as distance learning opportunities, make continuing education available to marines regardless of their location. In addition, tuition assistance is available for those marines interested in pursuing continuing education opportunities. During fiscal year 2003, there were 25,662 marines enrolled in almost 80,000 courses with the help of the tuition assistance program.

Quality and responsible citizenship traits begin in childhood and are fostered and further developed throughout life. Programs like the Single Marine Program help the approximately 60 percent of our enlisted marines that are single develop into productive, responsible citizens. The Single Marine Program provides needed recreational and stress outlets that are wholesome and support development of social skills, and opportunities for marines to support the local community. Through the Single Marine Program council meetings, single marines make recommendations for improvements to: hours of operations; access to computers and the Internet; parking lots; safety issues related to intersections, sidewalks, crosswalks, and barricades; and television options such as cable, satellite, and digital for the barracks. Single marines also donate thousands of hours of volunteer labor each year involving community support efforts such as Special Olympics, Toys for Tots, adopt a school programs, chaplains' community programs, food drives, beach cleanups, veterans and nursing home visits, local youth programs/events, and other volunteer organizations that teach the rewards that come from service to others.

Domestic Violence

Domestic violence is a very serious matter throughout the world, and the Marine Corps is actively engaged in developing family advocacy programs and initiatives that help marines and their family members prevent incidents of violence to the extent possible, and treat them when necessary. I was privileged to co-chair the Defense Task Force on Domestic Violence, which for 3 years assessed the military services' domestic violence prevention and response mechanism. The Task Force's nearly 200 recommendations are being implemented across the DOD, to include within the Marine Corps. I am happy to report that domestic violence in the Marine Corps continues to decline. We attribute much of this decrease to outreach preventative services and programs, such as the Mentors in Violence Prevention Program and the New Parent Support Program. The Mentors in Violence Prevention Program was established to encourage the participation of male marines in efforts to prevent rape, battering, sexual harassment, and all forms of male violence against women. This program is a "marines helping their fellow marines" program, which encourages marines to become involved when they see abusive situations. The New Parent Support Program educates and supports families with children up to 6 years of age. This program consists of home visitation, classes and outreach through Play Morning, single parent support groups, Mom's Basic Training, parenting classes, and Daddy's Baby Boot Camp. We believe this program has helped successfully reduce the number of child abuse/neglect cases.

Sexual Assault

Similar to domestic violence, sexual assault is a very serious matter, and the Marine Corps is actively engaged in policies, training, and programs for both the prevention of sexual assault and the treatment of victims. Rape and other sexual assaults are violent crimes that violate human dignity and deeply held values of the Marine Corps and the military as a whole. Sexual assault is unacceptable and will not be tolerated. The Marine Corps is fully engaged in the DOD's 90-day review of this issue. We will continue to expand our current training initiatives on sexual assault and prevention at all levels. For example, during OIF II, deployed marines will have the same level of support available in-theater as they would have at their home station. This will include selected medical and religious support as well as marines who have received Victim Advocate Training, to allow them to perform the role as victim advocates. The Marine Corps deployed a total of 3,439 females out of the total of marines supporting of OEF and OIF, and we are aware of seven allegations of sexual assault. Of these, two marines have been found guilty and received punishment, and the remaining five are awaiting conclusion of investigations. Of the marines scheduled to deploy for the upcoming OIF II–1, approximately 750 will be female.

Suicide

For the Marine Corps, losing one marine to suicide is too many. In a year of combat stress in addition to the common stressors of military life, the Marine Corps is

focused on improving our Suicide Prevention Program through strategies that include: (1) developing a Leaders' Quick Reference Guide to help leaders quickly and effectively react to marines in distress; (2) reducing the stigma associated with seeking help; (3) improving the coordination of prevention and intervention services at installations; (4) integrating mental health resources into Marine Divisions through the Operational Stress Control and Readiness program; and (5) improving deployment cycle screening and treatment as part of our Return and Reunion program. From 1993 to 2003, the Marine Corps suicide rate per 100,000 has been gradually declining. Even with the stresses associated with OIF, the overall Marine Corps suicide rate remained relatively stable from calendar year 2002 to calendar year 2003, rising slightly from 12.6 to 13.2 per 100,000. The Marine Corps will continue to strive to improve its prevention programs to further reduce this tragic and unnecessary loss of our most valuable asset, our marines.

Other MCCS Services

MCCS connects marines and families to military installations through services that provide the top to bottom information necessary to quickly acclimate to new duty stations. Relocation assistance also helps to equip marines and families in transition with kitchen kits or other necessary services. Transition Assistance and Family Member Employment Assistance Programs help marines and their families prepare for a new life in civilian communities by providing briefs, sponsoring job fairs and workshops, and providing employment referrals.

Last, but certainly not least, the Marine Corps Exchange, 7-day stores, barber shops, dry cleaners, uniform shops, vending operations, auto skill centers, clubs, and recreation centers are filled with outstanding civilian marines who are providing valued goods and services that are competitively priced, and in the case of low or fixed income individuals or families, depended upon for basic standard of living needs.

QUALITY OF LIFE—THE EXPECTATIONS FACTOR

One final component of quality of life that cannot be overlooked is the effect of demographics and expectations on the ultimate success of a vibrant quality of life program. The Marine Corps is comprised of the youngest, most junior, and least married members of the four military services. Our most recent demographic data shows that 66 percent of marines are 25 or younger, 27 percent of marines are 21 years old, 42 percent of marines are Lance Corporals (pay grade E3) or below, and 60 percent of enlisted marines are single. As with American society as a whole, the pool of young people from which we recruit have increased levels of expectations because they were raised in an environment that provides many things for them.

Since 1992, three surveys have been administered to determine how marines' perceptions of, and satisfaction with, quality of life have changed over the past 10 years. The results of our third survey in 2002 revealed a decline in the satisfaction of marines relative to quality of life in the Corps. The decline was not substantial in practical terms but confirmed the relationship of "elevated expectations" and quality of life satisfaction. As a force comprised primarily of those under the age of 25, we are particularly interested in the role of "expectations" in relation to our holistic approach. Although quality of life is important to all ages, those under 25 have expressed increased expectations for their quality of life. American youth are naturally exuberant, but the urgency and expectation for their quality of life is increasing according to our results. Therefore, we know that we must maintain our efforts to improve the objective quality of life—the "standard of living" of marines and families. But, when new marines enter the Corps we must also help them to better understand what to expect in the military lifestyle, so our continued efforts at improving quality of life gain more traction (i.e., more quickly close the gap between expectations and reality). Our understanding of expectations and the relationship to quality of life satisfaction will be further studied as we continue to pulse the attitudes and concerns of marines and families relative to their quality of life expectations and concerns into the future.

Whether we are taking care of marines in the desert or families back at home, quality of life support programs are designed to help all marines and their families, which in turn helps to ensure continued readiness, retention and recruitment success. Marines and their families make great sacrifices in service to their country. The Marine Corps prides itself on the legacy of rewarding that sacrifice by taking care of its own.

INFORMATION TECHNOLOGY INNOVATION

To properly manage the resources entrusted to us, it is necessary to have and maintain capable tools. Planning for and managing manpower requirements—including addressing mobilization challenges and tracking PERSTEMPO information mentioned previously—requires effective and relevant automation and information technology systems for manpower modeling, manpower management, personnel servicing, and joint requirements. When competing with weapons systems and near term resource requirements, it is easy to bypass proper investment in these somewhat bland information systems. However, though not perfect, we are proud of the Manpower Automated Information System portfolio in place to support our manpower processes and are committed in the budget to continuing appropriate reinvestment.

The Marine Corps benefits from a fully integrated pay and personnel system. This system, the Marine Corps Total Force System, incorporates all active duty, Reserve, and retired pay and personnel records. The Marine Corps has now developed an interface between this system and the Standard Accounting, Budgeting, and Reporting System. This interface of pay and personnel data with the accounting and budgeting data provides the Marine Corps with a truly one-of-a-kind integrated pay, personnel, manpower, and accounting system, able to streamline budget execution and reconciliation. Having an integrated Total Force system has been a key to minimizing difficulties for our Reserves as they are mobilized. The Marine Corps Total Force System serves as the foundation for ongoing re-engineering of our administrative processes into the Total Force Administration System. This new system will provide a Web-based, virtually paperless self-serve capability for all marines via our Web portal, Marine On-Line. This year, we will not only increase our individual self-serve capability, but will automate many unit capabilities such as leave, morning reports, and promotion recommendations. For the first time commander's will have the flexibility to decide at what level information is input into our Marine Corps Total Force System. In a tremendous advance, marines at all levels will access Marine On-Line to view information on themselves and the marines in their charge.

We have created the foundation of a shared data environment by leveraging the data contained in the Marine Corps Total Force System via the Operational Data Store Enterprise, our database of current personnel information, and our Total Force Data Warehouse, our database of historical personnel information. This shared data environment allows full integration of our digitized personnel files with the Marine Corps promotion board process, giving us as advanced and comprehensive a promotion process as there is among the Services.

Marine For Life

The commitment to take care of our own includes a marine's transition from active service back to civilian life. The Marine For Life Program's mission is to provide sponsorship for our more than 27,000 marines who honorably leave active service each year. The program was created to nurture and sustain the positive, mutually beneficial relationships inherent in our ethos, "Once a Marine, Always a Marine." In cities across the United States, Reserve Marines help transitioning marines and their families get settled in their new community. Sponsorship includes assistance with employment, education, housing, childcare, veterans' benefits, and other support services needed to make a smooth transition.

To provide this support, Marine For Life taps into the network of former marines and marine-friendly businesses, organizations, and individuals that are willing to lend a hand to a marine who has served honorably.

Initially begun in fiscal year 2002, the program will reach full operational capability in fiscal year 2004. In addition to 110 Reserve Marines serving as "Hometown Links," an enhanced Web-based electronic network, easily accessed by marines worldwide, will support the program. The end state of the Marine For Life Program is a nationwide marine and marine-friendly network available to all marines honorably leaving active service that will improve their transition to civilian life and ensure that no marine who honorably wore the Eagle, Globe, and Anchor is lost to the Marine Corps Family.

CONCLUSION

Through the remainder of fiscal year 2004, and into fiscal year 2005, our Nation will likely remain challenged on many fronts as we prosecute the global war on terrorism. Services will be required to meet commitments, both at home and abroad. Marines, sailors, airmen, and soldiers are the heart of our Services—they are our most precious assets—and we must continue to attract and retain the best and brightest into our ranks. Transformation will require that we blend together the

"right" people and the "right" equipment as we design our "ideal" force. Manpower associated costs are a major portion of the DOD and Service budgets, and our challenge is to effectively and properly balance personnel, readiness, and modernization costs to provide mission capable forces. We are involved in numerous studies in the area of human resources strategy designed to support an integrated military, civilian, and quality of life program, within which we must balance the uniqueness of the individual Services. In some cases a one-size fits all approach may be best, in others flexibility to support service unique requirements may be paramount. Regardless, we look forward to working with Congress to "do what's right" to maintain readiness and take care of your marines.

The Marine Corps continues to be a significant force provider and major participant in joint operations. Our successes have been achieved by following the same core values today that gave us victory on yesterday's battlefields. Our active, Reserve, and civilian marines remain our most important assets and, with your support, we can continue to achieve our goals and provide what is required to accomplish the requirements of the Nation. Marines are proud of what they do! They are proud of the "Eagle, Globe, and Anchor" and what it represents to our country. It is our job to provide for them the leadership, resources, quality of life, and moral guidance to carry our proud Corps forward. With your support, a vibrant Marine Corps will continue to meet our Nation's call as we have for the past 228 years! Thank you for the opportunity to present this statement.

Semper fidelis.

Senator CHAMBLISS. Thank you, General Parks.

General Brown, we look forward to hearing from you.

STATEMENT OF LT. GEN. RICHARD E. BROWN, USAF, DEPUTY CHIEF OF STAFF FOR PERSONNEL, UNITED STATES AIR FORCE

General BROWN. Mr. Chairman, Senator Nelson, thank you for the opportunity to talk to you today about the most important resource in the United States Air Force, and that's our people.

Earlier today, you heard Assistant Secretary Dominguez talk about the transformation of our Air Force and how that affects the way we develop our people. Well, I'm going to talk to you a little bit about some interrelated issues currently affecting our Air Force—the fact that we're over our authorized peacetime end strength, the steps we're taking to get our force to the right size to do the job, and, in the process, as we draw down the overall size of the force, how we're going to do that without putting additional stress on our busiest warfighters.

Before I begin, let me recognize two groups for their outstanding support to our men and women in uniform. That first group is Congress, and specifically this subcommittee. Over the last few years, you've shown strong sustained support for our airmen. You've approved significant advances in pay, benefits, and retention incentives to the men and women who serve all of the military services. These initiatives have made a significant difference in the readiness of your Air Force and the quality of life of our members and their families. Our airmen recognize your support and what a difference it makes.

The other group I want to acknowledge is the families of the men and women in our Air Force. The support and sacrifices made by the Air Force family members are critical force multipliers to the overall success of our Air Force. Their service is crucial to the overall effectiveness of our team, and we salute them, and we're certainly proud of our families.

Now I will address a few issues that are affecting our people. Over the past year, the Air Force has implemented a new method

of developing our force. Our intent is to get the right people in the right jobs at the right times with the right skills, knowledge, and experience. This new approach is called force development. It combines focused assignments and education and training opportunities to prepare our people to accomplish the mission of the Air Force. Rather than allowing chance or happenstance to guide an airman's experience, we take a deliberate approach to develop officers, enlisted, and civilians throughout the total force. Through targeted training, education, and mission-related experience, we'll develop professional airmen who are the joint force warriors with the skills needed across the tactical, operational, and strategic levels of competence.

The bottom line of our force development effort is that we want to provide an effective and competency-based development process. We want to connect the depth of expertise in an individual's primary field with the necessary education, training, and experiences to produce more capable and diversified leaders. Every aspect of the total force development construct develops professional airmen, who instinctively leverage their strengths as a team. Force development centers on developing people to become better leaders.

Now I want to address the macro-issue of the overall force size and capabilities. For the last 2 years, we've exceeded our mandated active-duty end strength of 359,000. This is a temporary situation. It's been fueled by the global war on terrorism.

I was here with you shortly after September 11, when we were under strength as an Air Force. So now, for the last 2 years, we have been above our authorized end strength—some of that brought on by Stop Loss. Many of our Services experienced that situation. We weren't sure how we would have to live through the stop-loss situation. Currently, we have too many people in some career fields while at the same time, we don't have enough in others. So we're going to take steps to shape our force as we get back to our authorized end strength. But we need to do this smartly.

We need to avoid imposing draconian measures that break faith with our people. If at all possible, our goal is to give every qualified airman who wants to stay in the Air Force the opportunity to do so. But, as you can imagine, these are complex and interrelated issues, and getting it right will present a challenge. We know that. We're taking deliberate steps toward our objective.

As we move into the 21st century, there are three things we know for sure. First, the challenges will be great. Second, the resources given to us by the American people, their sons and daughters, are resources that require our best possible stewardship. Third, and most importantly, superior leadership will be indispensable. We're committed to providing the Nation the best-trained, best-led airmen on the planet. It's that simple, and it's that important.

I look forward to your questions.

Thank you.

Senator CHAMBLISS. Thank you very much, General Brown.

Let me just say that each of you have a base, or bases, in my State, and I've had the pleasure of visiting all of those bases on numerous occasions during my 8 years in the House, as well as my year-plus here. I often comment that I don't know how you do it,

but I am so impressed every time I go on one of your installations with the quality of the young men and women that we have serving, particularly at the enlisted level. I always take the opportunity to visit with those folks. You're doing a terrific job of getting our fair share of America's finest young men and women at an early age to enlist in your branch of the Service, and we want to make sure that we continue to give you the tools to get those young men and women, to train them, equip them, and prepare them for whatever may lie ahead of them in your particular branch. So I commend you for the great job you've done on recruiting.

Now, that having been said, there's been a lot of speculation by Congress, the Pentagon, and military associations about how the current high operational tempo (OPTEMPO) will affect retention. I agree that the jury is still out on what the effect will be, but I believe that we should do whatever we can to minimize the impact and keep our valuable service members in the military.

General Hagenbeck, I had a particular experience over at Fort Stewart and at Hunter with the spouses of a number of the helicopter pilots over there. The OPTEMPO for those—in this case, they were all men pilots—created some serious problems back home, relative to them just not being there. We heard stories about some children being 4 years old and seeing their daddy for 6 months out of 2 years. That concerns me, relative to the retention issue.

My sense is that predictability in lifestyle is far more important than any kind of pay or benefit increase, and I'd like each of you to comment on what can be done to increase the chances our service members are going to stick around for the long term.

General Hagenbeck, we'll start with you.

General HAGENBECK. Sir, it's a great question, and one we pay particular attention to. The OPTEMPO is clearly high, and most certainly with the 3rd Infantry Division.

There are a couple of things that the Army's doing. First of all, we're paying day-by-day attention to what the re-enlistment rates are across our Army and within each of our formations. Right now, we're cautiously optimistic that we're going to meet our retention goals. In fact, I've spoken to every division commander in Iraq or Afghanistan within the last 7 days, and they're convinced, also, that we'll meet those retention goals.

But we all are particularly concerned about what will begin beyond next year, and what this means, because we're walking into some uncharted waters with this OPTEMPO.

With that in mind, a couple of things are happening. Our initiative to create more brigade combat teams (BCTs), going from 33 to 43, and potentially to 48, will give us more units that will be deployable. Then we can have a larger number, which means that we'll be able to keep some at home for longer periods of time before they're forced to rotate or deploy overseas.

Another piece of that, of course, is the length of the rotations. By and large, rotations recently have been for 12 months at a time. Our chief is looking at, right now, what conditions have to be met overseas for us to have shorter rotations, rates somewhere between 6 and 12 months. He's working with combatant commanders in that discussion, and models are being developed. No conclusions

have been reached yet. But it gets to the issue of predictability on the length of rotations and when soldiers can go. Our model—and it's purely a model at this point—is currently for a BCT 12 month deployment within a 36 month period. It could be two 6-month rotations within that 36 for the active component. One year's worth of deployments, or 12 months, out of every 6 years for our Reserve components, and that's what we're moving towards today, sir.

Senator CHAMBLISS. Admiral Hoewing.

Admiral HOEWING. Mr. Chairman, the Navy has been an expeditionary force for many years, and deployments are what we do. We're prepared for that, our families are prepared for that, and we have been very successful in that process.

One of the things that our Chief of Naval Operations (CNO) talks about all the time, though, is what he calls quality of service. Quality of service is a combination of quality of work, meaning job content—good, solid jobs, where you have the opportunity to be able to contribute to your maximum—as well as quality of life, which are the things that have to do with the support for the sailors and their families. We believe in that totally, that quality of service is an area of maximum importance, whether it be for the sailor or for the family.

The second piece is what we call our Fleet Response Plan (FRP). We deploy. We do it often. Our FRP is designed, in the CNO's terms again, as deployments with a purpose. Rather than deploying for the sake of deploying, we will focus our deployments, where we actually put our ships and squadrons and our submarines forward, to make sure that we are always supporting the combatant commander's needs out there. That way we are not excessively deploying when we don't need to.

Finally, I would continue to say that our sailors are retaining at record levels in the Navy. We've never seen retention so high. We've made our recruiting goals. It is never anything that we want to rest our laurels on. We still believe that the continued funding of the incentive programs, the bonus programs for our officer communities, and our re-enlistment bonus and assignment incentive programs—it's absolutely key to make sure that we are able to provide that quality of service that our sailors need.

Senator CHAMBLISS. General Parks.

General PARKS. Mr. Chairman, the Marine Corps is structured to satisfy our enduring requirements, and, as a result of that, we are continuing to make our operational contingencies. As long as those contingencies are temporary in nature, we don't see a need to change our structure.

Like my counterparts, we have experienced some very successful years in recruiting and in retention. We use two retention measures to monitor and gauge our success. The first one is the First-Term Alignment Plan, which is the first tour after the individual's first enlistment. With just 4 months of the fiscal year out of the way, we have achieved 85 percent of the annual fiscal year mission. Regarding our subsequent second Tour Alignment Plan, we're at almost 63 percent of that goal, and ahead of last year's phenomenal pace. On the officer side, we're at a 19-year high on our officer retention.

So from a personnel standpoint, we are continuing to do very well. On the same point, as General Hagenbeck mentioned, we're looking ahead to the future, and we're dissecting the data more than we've ever done in the past. Congress has authorized us a number of selective valves that we can use as we monitor and control the manpower, and we're evaluating those both for the near term and the long term. In looking at that, we're looking out for the need for a yet-to-be-determined requirement for OIF 3, how we would mold and shape our units. Perhaps some units that haven't been used in the past at all would become provisional units to be deployed, use unlimited voluntary extension to those marines that want to stay but are not ready to re-enlist yet, put some bonuses in place in areas that we have not done in the past. Then for the longer term, look at such things as increasing our First-Term Alignment Plan and our second subsequent term, which are the two retention vehicles that we have, looking at incorporating military-civilian conversions that were addressed earlier, and integrating them in. Then we could realign our active and Reserve component structure that has been talked about by a number of people. Then, finally, our last approach would be to reflect an end strength increase to balance all of these. It's a very delicate and challenging task, and one that has our direct attention, square on, on a daily basis.

Senator CHAMBLISS. General Brown.

General BROWN. Mr. Chairman, that's a great question, about deployment and activity. For almost 50 years, the Air Force was not a force that did a lot of heavy rotational deployment like the Navy and Marine Corps. We were more like the Army. We were stationed overseas. We were stationed in the Western Pacific or in Europe during the Cold War time frame. We fought from where we were stationed. But that changed. It changed in the mid-1990s. We saw that change coming, and we started what we today call the Air Expeditionary Force (AEF) construct, and we started working into this. We're going to deploy into locations as we're needed around the world. While it was highlighted with September 11, 2001, and now the last 2 years, in the late 1990s we had already stepped into the AEF construct. We are still today, now, using the AEF construct for our deployment of what today is about 16–17,000 airmen. The whole purpose of that was to put predictability and planning into an individual or a unit's time frame for rotation.

Our rotation policy was built on about a 90-day rotation. Airmen would come back for a stand-down period, a train-up period, and then, about 15 to 18 months later, that individual in that organization could expect to deploy again for 90 days. I will tell you that is stretched. It's stretched to about 120 days right now. We are having a tough time in some career fields trying to maintain the 90, so we're having to keep folks for 120.

There is a young Lieutenant Brown, my daughter. A few months ago, she was deployed with fairly short notice. She went on what she thought at first would be a 90-day rotation; she stayed for 120 days. She's since returned to her unit. It's interesting to see my Air Force through the eyes of a young, brand-new person. It's been pretty good therapy for this old codger.

So, number one, the construct is now much improved for us to handle what we're about today. The second issue I'd highlight is that we're also moving into trying to fill up those critically manned career fields, the ones which are most needed. We go fill those positions, whether it be in intelligence or the rated force, or those combat controllers, because those are the ones that are shorthanded, those are the ones being called on the most often to deploy. So we're working hard to fill up those career fields by moving people out of some of those lesser stressed career fields. We're doing some shaping of our force, which I alluded to a little bit. That is going to help with the planning and predictability of those—especially those individuals who find themselves more on the call to go to the front line and serve us in a deployment.

Senator CHAMBLISS. I don't know what percentage or whether there's a varied percentage of folks who are leaving each Service after 20 years. That has always been a benchmark, I guess. But are we seeing any trends in your personnel, both enlisted and officer-wise, tending to leave after 20 years on a more regular basis, or are we seeing re-enlistments by officers and enlisted personnel to longer terms, 25, 30 years or so? General Hagenbeck?

General HAGENBECK. Sir, our numbers are pretty precise right now. Our retention rates for all officers and noncommissioned officers (NCOs) are as high as or higher than they have been in the recent past, really since 1999 and 2001 as a benchmark, as well. Attrition is lower by several percentage points. So they're staying on longer than before.

But, to be candid with you, we're paying a lot of attention to this and doing scientific surveys with our Army Research Institute and with RAND Corporation on our soldiers, both while they're in-theater and upon their return. We have to get a sense of what's going to translate into some of the comments that you may have heard during your visits to your troops down in Georgia, on what their behavior is going to be here in the next year or 2 or 3, about whether that door will open and they will start to leave at a faster rate than they are today.

So we don't have any indications at this point, and we're trying to track those trends, and we'll pay attention to it to see if it translates into actual behavior in the future.

Senator CHAMBLISS. As you comment on that, are the bonuses and other incentives that we're providing for them, do they seem to be making a difference?

General HAGENBECK. Sir, it's a huge difference. You approved a targeted SRB for soldiers in-theater that went into effect this past January, and that had a huge effect. We anticipate some of the units that are getting ready to go into Iraq and Afghanistan here, beginning again this summer, on OIF 2 and OEF, they're waiting to re-enlist until they get in-theater because there's a tax exclusion associated with that. So it's the money piece balanced with the predictability of the future for them that they're looking at, but those incentives are absolutely crucial to retaining this quality force.

Admiral HOEWING. Likewise, in the Navy, our officer retirements are down, the numbers are down, the percentages are down, and our officers are continuing to stay. Our resignations are down—in fiscal year 2003, we had almost 600 less resignations in our officer

corps than we had in years before, and that was during a time that our continuation rates in the officer corps were very high.

On the enlisted side, fleet Reserve requests for retirement-eligible, that percentage—we call it Zone E re-enlistment rates—our re-enlistment rates are, in fact, up in our retirement-eligible people.

So across the board, we are in very good shape with our continuations and retention rates. I would also add that the bonuses are, in fact, having an immense contribution. You've given us opportunities for increasing the continuation bonuses in our Service warfare community, which is keeping an area where we have had shortfalls going into these last several years—those officers are now staying at greater rates also. That's continuing them on to 20 years. An area that I would always be concerned about is, right now, our aviation bonuses are exactly what we need. I worry about the future, when those airlines start to hire again. We're doing extremely well right now in naval aviation, and, in fact, have made up some shortfalls that we have had in the lieutenant areas because of these exceptional continuation rates. But it's an area that I would be concerned about in the future, when those airlines start to hire again.

General PARKS. Sir, I pretty well addressed our retention issues among the enlisted and the officer ranks in my previous response. I would say as we look ahead, we see a combination of deployments, the continuing deployments, and perhaps the improving economy, as a real issue that we'll have to watch in the future. Not after the 20-year point, but at the mid-career point is where we see the area that we think will have the biggest area of concern, the 9- to 13-year time frame, when an individual has yet to make that 20-year commitment. That's the area we are watching most closely. The young person comes on, they expect to have a challenge, they expect to be deployed, they want to be deployed. The career individual knows this, they have bought into it. It's that decision-point marine, in our case, who we're watching very closely. In fact, in some cases, we have increased the SRB in selected skills that we need the most.

As my colleagues have said, your SRBs, the bonuses that you're providing in a multitude of areas, are helping immensely. In that regard, we've come back in this budget request to increase our SRBs.

General BROWN. Mr. Chairman, I have a similar view that SRBs, both targeted by career field and by where the individual is in his or her career, have been absolutely critical for us to make sure we fill those gaps that can develop.

I would also add that we've specifically had some high-tech officer career fields that we asked for and received some bonus authority for, and that has made a huge difference in keeping engineers and acquisition officers, the ones who are in great demand out in society. We can't match what society can pay them in big industry. But when we show them some concern and some financial incentive, they want to keep the uniform on, and they stay with us.

We have specifically looked at the 20-year retirement. Do we have more or less going out the door today than we have in the last few years in the past? I can tell you that right now we're within

one-half of 1 percent of the same retirement percent today as we've had over the last 2 or 3 years, so we have not seen——

Senator CHAMBLISS. For 20-year-plus?

General BROWN. Twenty-year-plus, yes, sir. So we're right on the same percentage of retirements that has been historical now for a couple years running.

When the law changed that allowed an officer to retire and come back into government service and not lose part of his pay—I don't remember the name of the law—but we thought that was going to have a significant impact. A bunch of folks would retire, and could come back into government service. We have found it to be very beneficial that it didn't change the number of folks who took 20 years to the day and suddenly separated from the Service, took the uniform off.

Senator CHAMBLISS. Last week, the Pentagon announced that the DOD will begin issuing the Global War on Terrorism Medal for troops that served in Iraq. There will be two medals, one for those who participated in expeditionary operations, and another for those who served in a supporting or service role. There have been views expressed that separate medals, not just battle stars, should be awarded based on service in Afghanistan and Iraq and other locations. As Personnel Chiefs of your Services, please give me your views about this. Do you believe that there should be separate medals for those who participated in OIF?

General HAGENBECK. Sir, from where I sit, both in this position, as well as from previous experience, I think that we've come to the right conclusion with the campaign ribbons that have been so designated. I understand that there are a lot of soldiers out there that would like to see additional ribbons. However, I think the Global War on Terrorism Expeditionary Medal serves the purpose. As we look towards being able to wear battle stars, as was done during World War II, Korea, and Vietnam, for particular campaigns, in conjunction with campaign ribbons that can be awarded to units for particular periods or phases of their duty in Afghanistan or Iraq, I think that is going to meet the test for all the soldiers, and that's the right answer for us.

Admiral HOEWING. Yes, sir, I concur with my colleague that we're on the right track, that this represents the opportunity to recognize and reward our sailors and all the military members for their service in the global war on terrorism. Battle stars will continue to do that, as they have before. It keeps with the traditional way of doing it in the past. So we believe we're on the right track, also.

General PARKS. Sir, I'll echo the same thing. As with many medals that come out, there are views on both sides of the fence and will, no doubt, continue to be. In this particular case, probably more than any conflict or war that I've experienced while I've been uniform, the uniqueness of it, the fact that people are serving around the world in support, they may not be deployed to Afghanistan or to Iraq, but they're freeing up someone else who happens to be going to do that at this time. The emphasis may lie somewhere else at this particular time, and the way it rotates around—I think we've come to the right conclusion.

General BROWN. Mr. Chairman, I agree. It's absolutely the right answer. We probably, in our force, have the most people that will be in the support role, running that satellite or running that information operation, or the Global Hawk from a thousand miles away. But there ought to be something different for the boots on the ground. So to acknowledge both is important.

Senator CHAMBLISS. Thank you.

Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

General Parks, I noted that you have served as the co-chair of the DOD Task Force on Domestic Violence. Last week, Deborah Tucker, your co-chair, testified before our subcommittee. She testified that there was a basic disagreement between the civilian task force members and the military task force members about the need to change the Uniform Code of Military Justice (UCMJ). I'm interested in your perspective on whether the UCMJ is adequate to deal with sexual assaults and domestic violence offenses, or whether we ought to be looking at some modifications.

General PARKS. Sir, I think based on where it is right now, the jury is still out. We spent 3 years examining and evaluating domestic violence in the United States military, and we came to nearly 200 recommendations in that task force that we felt were appropriate. One of the things was that we believe we need to make a cultural shift to take care of the multitude of issues, whether the violence that occurs, to women primarily, is domestic violence, which is the root of the question, or the sexual assault and sexual harassment that were in the context of last week's hearing.

We made a number of different recommendations, one of which was extremely complex. That was the aspect of confidentiality, and the discussion of that and whether that was right or wrong. We had the representatives and lawyers from each of the military services on the task force, who debated, themselves, and wrestled with it. We came to some conclusions and recommendations that we now believe reflect the collective view of 24 members of that task force, both military and civilian, that will now go forward to be vetted in a broader audience of the DOD among the Services to determine where we really feel that we need to go to protect the interests of all our service members under consideration.

Senator BEN NELSON. Thank you.

General Hagenbeck, we're really concerned about the recruiting in the Army National Guard. Do you think the recruiting funds that have been cut back in the budget this year are going to be sufficient to be able to do the work necessary?

General HAGENBECK. Sir, at this juncture, I would say yes, but I would be less than candid if I didn't say we may want to come back to the well once we see the behavior of the returning troops from the National Guard and the Reserve units that are coming home.

Senator BEN NELSON. Do you know what the logic was in recommending a reduction there?

General HAGENBECK. No, sir. I'll have to get back to you on that.

[The information referred to follows:]

Senator BEN NELSON. Do you think the recruiting budgets that have been cut back in the budget this year are going to be sufficient to be able to do the work necessary?

General HAGENBECK. The budget funds National Guard recruiting and retention efforts at our base level in a peacetime environment. To meet global war on terrorism related challenges, we will include resources in a supplement request, as appropriate.

Senator BEN NELSON. Do you know what the logic was in recommending a reduction there?

General HAGENBECK. In building budget requests, the Army takes great care in balancing risks across all elements of the Army to maximize funding.

Senator BEN NELSON. As it relates to end strength, a lot of discussion has occurred so far, as we all know, about how to strengthen the Army by 30,000 soldiers above the congressionally authorized end strength of 482,400. I understand that even if the Army were to recruit an unlimited number of enlistees, your actual ability to be able to process and prepare them for service is limited by the training pipeline that is involved.

Given the current recruiting environment and existing training infrastructure, what is the maximum increase that we can reasonably expect that the Army can sustain on an annual basis?

General HAGENBECK. Sir, we're still doing the analytics on that. I could tell you that our training and doctrine command, in conjunction with our sessions command, is looking at all of that right now. The number that we can put through the training pipeline, as you well know, is going to be a function of resources: dollars, what's available at the installations where they do the training, the number of drill sergeants that we have to push them through the training and, on the front end, of course, how we fund both with people and money, the recruiters on the street.

So we have some pretty good models on what that looks like, and I'll be prepared to come back to you. I think the answer is due back to our chief at the end of this month.

Senator BEN NELSON. Do you believe there'll be sufficient funds in the budget to be able to provide for the personnel to do the training? It's not just the enlistees, but it's also, as you say, having the personnel available to provide the training. Do you think the budget will provide sufficiently for that?

General HAGENBECK. Sir, very frankly, we're very much dependent upon the supplemental. There's no question about it. That's a major piece of it, and I would have to defer to the money managers, if you will, on exactly how that will all fall back. But that's a major foundation of our approach to this.

Senator BEN NELSON. So that'll be available in that report that we're going to get at the end of the month?

General HAGENBECK. Yes, sir. We'll show you that.

Senator BEN NELSON. It's hard to put the personnel and the plan in place without knowing the financial impact, as well, I would imagine.

General HAGENBECK. Sir, I'm not sure I can tell you that we'll have the approved solution, in terms of the dollars across all the Army systems, but I can tell you that we will have the projected costs associated with it for this entire training base piece that I addressed a few moments ago.

Senator BEN NELSON. I didn't mean to inquire as to whether or not you knew where the dollars were going to come from, but if you

know the entire cost as a part of that project or that plan, then where the money comes from and how it is shifted around probably would be a secondary issue. It would be an important one, but it would be secondary to the plan.

General HAGENBECK. Yes, sir. One of the major variables, of course, is what kind of soldiers we're going to train for what military occupational specialities (MOS). We know that, over time, in this ramp-up our chief has articulated we are going to need more infantrymen. So we know, right now, that we're going to need more training seats at Fort Benning, Georgia, to bring folks through the pipeline. What remains to be determined by our training and doctrine command, as I mentioned, until the end of this month, will be the aggregate numbers in each of the other MOSs. That will drive where we train them. That will, of course, then be a determination of how we come to conclusions on the cost associated with that.

Senator BEN NELSON. I would assume that, in trying to determine the skill sets required as part of the Active Force, you will take into account what supplemental and augmented skills the Guard and Reserve have been providing disproportionately, in terms of deployments.

General HAGENBECK. Sir, that is the underpinning of this entire reorganization plan, you are exactly right. We are, right now, taking structure out of the Active Force, out of some of the combat arms, armor, artillery, air defense, as well as some engineer units, and we're standing up those units that we have had to lean on very heavily in the Guard and Reserves. We are talking about military police (MP), civil affairs, psychological operations (PSYOPs), and special operations. We are going to absolutely create additional units on the active side so that we do not have to go to the well as frequently as we have had to here in recent years.

Senator BEN NELSON. Thank you.

General Parks, in connection with end strength, in your prepared statement, you say the question concerning end strength hinges on the duration of our commitments. You inform us that the Marine Corps is structured to satisfy enduring requirements to meet operational contingencies as long as the contingencies are temporary in nature. Now, I have to ask you, how do you define a temporary contingency? Do you have some thought in mind as it relates to that? For example, is Afghanistan temporary, or do you consider OEF and OIF to be temporary contingencies? I'm not trying to pin you down. I'm just trying to get some idea of what you have in mind on temporary.

General PARKS. Sir, you bring up a very good question, and it's one that we are wresting with on a daily basis, from the standpoint of: How much is enough, and how long can we sustain this? I think clearly, if what we are doing right now—we're going back in with 25,000 OIF II followed by another 25,000 OIF II for the next year. That is temporary. What will come after that for OIF–3, if you will, and we are talking about a 5-year commitment, or, for that matter, a 10- to 15-year commitment? That's the difference, from our standpoint, in what would be temporary, versus long term. Nevertheless, we're not sitting on our laurels as we think about that. We're looking at the near term—what can we do today to modify, alleviate,

and mitigate the impact on our forces, and, at the same time, look out for the long term, if it turns out to be long term. The term "temporary" is up to debate, so there is not a simple answer to that question. For long-term contingencies we're going to do some internal realignment, as is the Army, as was just outlined, to reorganize and adjust and realign, based on our findings to date. All those things will be taken into consideration as we look at the future.

Senator BEN NELSON. We almost need to know what the end plan is, the end game, and what the exit scenario is, before we can determine what temporary versus long term is. I suspect you could make the case that our commitment in South Korea since the 1950s is temporary every year. [Laughter.]

So I would hope that we would keep that in mind. Temporary has a tendency to become long-term. But if we define it as temporary, it can be a series of temporary commitments, as opposed to something we really ought to be looking at on a longer-term basis. Not to be argumentative about it, but I suspect that somebody is considering that possibility, as well. On the other hand, I don't want it to become a self-fulfilling prophecy by saying it's long-term and then it becomes long-term, if it should be temporary.

I hope that you are taking that into consideration, both as to staffing and as to financing it as part of your budget and for future budget planning.

General PARKS. Indeed, we are, sir.

Senator BEN NELSON. Thank you, Mr. Chairman.

Senator CHAMBLISS. Thank you, Senator Nelson.

Gentlemen, Senator Nelson and I have been both very concerned and have worked hard to try to increase both pay and quality-of-life benefits for the Guard and Reserve. There have been a number of things that we could do that didn't really cost money, whether it was commissary use or whatever. Last year, we were successful in getting some additional benefits to the Guard and Reserve since the OPTEMPO for them has increased, as we've discussed. Now we are starting to get into some items that are much more expensive, and they're going to encroach on your ability to maybe do some things for the Active Force, both affecting recruiting and retention and other ongoing issues.

Dr. Chu made the point earlier this afternoon that if we ever get to the point where we equalize pay and benefits for the Guard and Reserve and the Active Force, then it's going to create a problem, because we're going to have everybody going into the Guard and Reserve. We need some help in thinking through this issue as to how far we need to go. Have we gone far enough? What else can we do? There may not be any specific things that jump out at you right now, but as you think through this, if there are any ideas you can give us about it over the next several days or weeks as we move into the budget process, we certainly would appreciate that.

I want to make sure that we're doing everything possible to increase our benefits for our Guard and Reserve if we're going to keep calling on them, and it looks like we're going to have to. But, by the same token, I do understand what Dr. Chu is saying there. It is one of those things that does not necessarily jump out at you as you think through it from our legislative side. If any of you have any comments on that, we'd welcome them, but, most importantly,

as you see us going through this over the next weeks and months, I just wish you'd stay in touch with us and give us your thoughts and ideas. But if anybody has a comment, I'd appreciate it.

General BROWN. Mr. Chairman, my comment would be, we appreciate your concern for that. If everything were to be totally equal, it would be difficult for us to recruit for the Active Force. But to give benefits and entitlements to those Guard and Reserves who we're calling up to meet our needs today, we absolutely salute that. So we'll take that challenge to come back to you if we can think of ideas that would be helpful. We appreciate the fact that you and your subcommittee are dealing with that very issue and want to make things better for those guardsmen and reservists who come to our aid and are part of our Total Force.

Senator CHAMBLISS. Anything else?

Senator BEN NELSON. I don't have anything further. I want to thank you for your candor and for being here with us. Thank you.

Senator CHAMBLISS. We do appreciate your being here. Thanks for your patience today. You sat there while everybody waited on us to vote and through the first panel. Thank you for what you do for our country. You four folks are in very critical positions relative to where each branch of our Service is going to be, not just tomorrow or the next day, but years down the road. The decisions you're making now and the leadership you're providing is going to be critically important for the military that my grandchildren see.

So we appreciate very much your service to our country. Thank you for being here today. This hearing will be concluded.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR JOHN WARNER

MORALE, WELFARE, AND RECREATION BUDGET CUTS

1. Senator WARNER. Secretary Brown and Secretary Navas, morale, welfare, and recreation (MWR) programs are essential to support our troops and their families, yet in your testimony you acknowledge that appropriated funds for the Army and Navy decline by $140 million in fiscal year 2005. What is the reason for these declines in both appropriated fund support and non-appropriated fund revenues?

Mr. BROWN. The Army's portion of the decline in appropriated funds between fiscal year 2003 and fiscal year 2005 is approximately $40 million. The fiscal year 2005 appropriated fund budget takes risk in the installation programs including MWR due to other higher priority Army missions. Nonappropriated fund (NAF) revenues have declined worldwide due to several factors. Force protection requirements for installation access and the associated inconvenience experienced by authorized patrons and guests have negatively impacted patron participation in MWR programs worldwide. In addition, deployments have temporarily reduced participation of our primary customers—the soldiers—at some installations. Finally, unusually adverse weather (Hurricane Isabel and excessive snowfall) caused a reduction in NAF revenue in our programs that are primarily outdoors (golf and outdoor recreation) in the eastern and southern United States.

Mr. NAVAS. In keeping with the Department of Defense's (DOD) strategy of transformation in the 21st century, the Navy is engaged in an aggressive search for efficiencies in all facets of shore installation management, including MWR programs. The effort is linked to the Chief of Naval Operation's (CNO) Sea Power 21 initiative to identify shore installation management savings that can be realigned to modernize the Navy's combat platforms that are increasingly being called upon to serve and protect this Nation on multiple fronts.

Our focus is on streamlining, consolidating, and implementing all potential business improvement techniques to deliver as much output as possible given the available funding and to aggressively reduce overhead. While the Navy-wide MWR budget in fiscal year 2005 was reduced by 28 percent, we will continue to fully support our core MWR programs, including fitness, afloat recreation, movies, single sailor,

youth and Information, Travel and Tours, as well as outside the continental United States (CONUS) and afloat commands.

NAF revenues have declined slightly, less than 5 percent, due to increased deployments around the globe, which effectively reduce the patron base at our installations. Also, with greater force protection initiatives underway, many of our routine, repeat customers find access to military bases much more difficult after the September 11 terrorist attacks.

2. Senator WARNER. Secretary Brown and Secretary Navas, what will be the impact of these reductions on our troops and their families?

Mr. BROWN. Programs and services will be curtailed or eliminated at installations across the Army. Army headquarters and field staff are developing contingency plans to implement program reductions and eliminations based on current funding levels. Installations may have to increase use of special duty soldiers to operate MWR facilities (i.e. gyms, recreational centers, pools), diverting these soldiers from their primary missions. In addition, in circumstances where family members are also employees, the family's income may be lost or reduced. The Army is working toward resolving these shortfalls to mitigate negative impacts on soldiers and families.

Mr. NAVAS. The Navy is currently engaged in a complete review of fiscal year 2005 MWR funding and the potential impacts of reductions across the board. Although it would be premature to speculate, some of the possible impacts to sailors and their families might include: modified hours of operation and/or levels of service; regional service consolidations without degradation in the quality of programs provided; closures of under-utilized programs; and increased or new user fees. The Navy intends to ensure that outside the CONUS and all afloat programs are funded to meet the unique requirements of those populations. Navy does not intend to discontinue any MWR CONUS programs that are well supported by patrons; if necessary, Navy plans to reprogram funds internally to ensure continuation of these programs.

It should be noted that Navy has worked diligently to maximize efficiencies within the MWR program while maintaining a focus on minimizing any degradations to quality of services provided. Additionally, future yields from efficiencies may be used to provide greater support to our sailors forward deployed in support of Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF).

QUESTIONS SUBMITTED BY SENATOR EDWARD M. KENNEDY

NATIONAL SECURITY PERSONNEL SYSTEM

3. Senator KENNEDY. Dr. Chu, the recently passed National Security Personnel System (NSPS) contained a provision, section 9902(c) of the National Defense Authorization Act for Fiscal Year 2004, which excluded certain laboratories from inclusion in NSPS. A number of Senators have written to the Secretary of Defense describing the legislative intent of section 9902(c) as prohibiting the Department from also including the labs in your Best Practices Personnel Initiative. Your response indicated that you intended to move the labs into Best Practices, but did not address the issue of whether this action violates the intent of the law prohibiting moving the labs into NSPS. How is the Best Practices Initiative distinct from the National Security Personnel System?

Dr. CHU. Best Practices is not NSPS. In the opinion of the DOD General Counsel, the statutory language that proscribes the DOD from implementing NSPS in selected laboratories does not prohibit implementing Best Practices in the laboratories.

4. Senator KENNEDY. Dr. Chu, what independent analysis has been done to indicate that the Best Practices Initiative is an improvement over the lab demonstration programs and the modifications to those programs that are permitted under existing authorities?

Dr. CHU. The flexibilities available in Best Practices are based upon a review of the various demonstration programs undertaken within the DOD. The demonstration programs were evaluated independently by the Office of Personnel Management (OPM); its comments were incorporated in the development of Best Practices.

5. Senator KENNEDY. Dr. Chu, what is the cost of moving the employees who are in lab demonstration systems into the Best Practices system?

Dr. CHU. Moving lab demonstration employees into Best Practices would not affect salary costs. Employee base salaries would be preserved and not adjusted upon conversion to Best Practices. Unlike the General Schedule system, the lab demonstrations do not provide periodic within-grade increases to basic pay. Thus, there is no need upon conversion to "buy in" lab demonstration employees—that is, to pay them a percentage of the next within-grade increase, based on the time each employee has already served toward the next increase. Training and systems modifications needed to implement Best Practices would be approximately offset by eliminating the costs of redundant payroll and personnel data, policies, and administration.

6. Senator KENNEDY. Dr. Chu, will the employees who are moved from lab demonstration programs into a Best Practices system will they be forced to move again into a NSPS at some future date?

Dr. CHU. It is the DOD's intent to eventually have everyone on the new flexible personnel system created under NSPS. Moving the labs to Best Practices would give them a head start in enjoying some of the flexibilities to which they would have access in the future NSPS.

7. Senator KENNEDY. Dr. Chu, what will be the status of the employees of the Natick Soldier Center as a result of the NSPS legislation?

Dr. CHU. The Natick Soldier Center is part of the Soldier and Biological Chemical Command, which is 1 of the 10 named DOD laboratories that are excluded from coverage under NSPS until 2008.

QUESTION SUBMITTED BY SENATOR JOSEPH I. LIEBERMAN

LAB WORKFORCE

8. Senator LIEBERMAN. Dr. Chu, when the National Defense Authorization Act became law on November 24, 2003, DOD research personnel were excluded from the NSPS established for the DOD, to continue to provide the flexibilities granted by section 342 of the National Defense Authorization Act of Fiscal Year 1995 and section 1101 of the Strom Thurmond National Defense Authorization Act of Fiscal Year 1999. The research labs were given flexibilities to establish innovative human resources systems necessary for scientific and technical excellence. The congressional intent for this was confirmed by the passage of section 1101 of the National Defense Act for Fiscal Year 2004, chapter 99, section 9902(c), where the labs are to be excluded from NSPS until after October 1, 2008. Moreover, the law states that after that date the labs may be included in NSPS only if the Secretary determines that the flexibilities provided by NSPS are greater than those already provided to the labs.

In a January 6 letter, Senators Voinovich, Lieberman, Collins, DeWine, and Sessions expressed their concern regarding DOD's intent to standardize the personnel flexibilities currently enjoyed by the labs under a Best Practices Initiative that mirrors the not yet established NSPS, which would undercut broad initiatives and authority the labs already have. The February response from you insists on moving the defense laboratories to the Best Practices Initiative, despite congressional disapproval of this position as summarized in the January 6 letter. This move clearly violates congressional intent. Implementing Best Practices, an integral part of NSPS, on the lab personnel is contrary to the section 9902(c). What are your intentions regarding efforts to include the labs in NSPS?

Dr. CHU. Best Practices is not NSPS. In the opinion of the DOD General Counsel, the statutory language that proscribes the DOD from implementing NSPS in selected laboratories does not prohibit implementing Best Practices in the laboratories.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

LANGUAGE TRAINING

9. Senator AKAKA. Dr. Chu, your testimony cites the need for increased language ability and accompanying area knowledge within our Armed Forces. Besides using the Defense Language Institute and commissioning studies on additional action, what are you doing to increase the recruitment and training of individuals possessing these skills?

Dr. CHU.

The Heritage Language Translator Program

In the summer of 2003, the Deputy Secretary of Defense tasked the Army to conduct a pilot test to recruit Arabic speakers into the Individual Ready Reserve (IRR). Initially, this program is an outreach to members of Arab-American communities desiring to serve America's efforts in the reconstruction of post-conflict Iraq by applying their linguistic and cultural knowledge and expertise to the success of that endeavor.

During the period October 2003 through March 2004, the Army has received 858 leads, pre-qualified 265 of those leads, and enlisted 138 into the program for fiscal year 2004. The first 17 graduates from this program graduated on March 12, 2004. They have received mobilization orders and are currently at Fort Hood, Texas. They will serve with Ill Corps in Iraq.

The Defense Language Transformation Team

The DOD considers language capability a matter of national security. Recent events in Afghanistan, Iraq, and elsewhere have demonstrated the undisputed importance of understanding another's culture and communicating in his language.

In order to improve the DOD's development, maintenance, and employment of foreign language capability, we have initiated an aggressive plan for transforming our approach to language and regional area expertise. A Defense Language Transformation Team whose primary goal will be to transform the way these critical assets are valued, developed, and employed within the DOD will undertake this effort. The result of this work will not only yield a new DOD policy directive governing the foreign language program but, more importantly, institute systemic changes to improve our management of language capability.

At present there is no clear picture of the resources available to operational planners, and policies and procedures for integrating language and regional expertise into operational planning are inadequate. We intend to review current processes for establishing requirements and identify options for best embedding language ability in, or providing language ability to, operational units. We need three language capabilities: sufficient resources in the force with necessary clearances to meet operational requirements; the ability to surge to meet extended or expanded requirements, and a cadre of highly-skilled language speakers.

It is a well-shared belief among educators and other civilian and military experts alike, that true language and cultural expertise is acquired only through immersion and study, over a long period of time. With over 1,300 faculty and 3,800 students, the Defense Foreign Language Institute's Foreign Language Center (DLIFLC) is the world's largest foreign language school and our primary source of language instruction.

We have increased funding in fiscal year 2005 to ensure the center can meet critical requirements, and added funds for "crash courses" to teach basic language to troops prior to deployment, improved training development, and improved capability to produce linguists with an advanced degree of language competence.

10. Senator AKAKA. Dr. Chu, what steps, such as outreach to students, are being taken to encourage students to study foreign languages and increase the applicant pool of individuals possessing these critical skills?

Dr. CHU. From June 22–24, 2004, the DOD and the Center for the Advanced Study of Language are convening The National Language Conference to bring together leaders of Federal and State government agencies, industry, international language experts, academia, and language research to discuss and lay the foundation for an initial strategic approach to meeting the Nation's language needs in the 21st century.

Federal, State, and industry leaders will discuss the language skills needed to:

- Maintain the United States as a secure nation and world leader
- Ensure cohesiveness, stability, wellness, and economic standing of communities
- Sustain the economic posture of the United States

National and international experts will present:

- Best practices.to recruit, train, and retain personnel with language skills, and partner with academia and associations
- International school system models that have succeeded in inculcating multiple languages within their citizenry
- Proposals for changes in the U.S. education system that address emerging needs

The conference proceedings will provide the foundation for a white paper recommending the initial steps toward a national language agenda. The document will

outline reciprocal responsibilities within the Federal and State governments, industry, education system, and research community for actions that will move the United States forward as a language-competent nation.

SPECIAL SKILLS

11. Senator AKAKA. Dr. Chu, the DOD recently announced a new policy to attract experts with skills important to the DOD's mission. I understand that new policy allows the DOD to employ as many as 2,500 employees under a more competitive compensation package so long as the individual possesses uncommon or special knowledge or skills. Could you please define the types of skills that would fall into this category?

Dr. CHU. This new authority provides the DOD with the ability to attract eminent experts in an array of occupations critical to the DOD's national security mission. The skills needed will be determined by the military department or defense agency on a case-by-case basis. For instance, a Service or defense agency might use this authority to hire a world-class expert in a certain area of medicine or someone with highly-specialized scientific knowledge for a limited-term project.

12. Senator AKAKA. Dr. Chu, would this include language, science, or math skills?

Dr. CHU. Yes, it could.

STUDENT LOAN REPAYMENT

13. Senator AKAKA. Dr. Chu, I have strongly advocated student loan repayment as an important tool for agencies to recruit and retain Federal workers with critical skills in foreign languages, math, and science. Would you please clarify how many employees have participated in the DOD's student loan repayment program, the criteria for participation, and what the DOD is doing to offer this incentive to more of its workforce?

Dr. CHU. As of March 6, 2004, six employees are participating in the DOD's student loan repayment program. The DOD student loan repayment program authorizes use of this incentive when DOD components encounter difficulty in filling positions with highly-qualified candidates or when they experience difficulty in retaining highly-qualified employees. The DOD does not limit student loan repayment to specific categories or occupations. Therefore, the incentive is available for use whenever the component has recruitment or retention difficulties.

Because of the higher annual and total payment limits authorized by Congress in the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108–136, signed November 24, 2003) and in the Federal Employee Student Loan Assistance Act (Public Law 108–123, signed November 11, 2003), we are developing new materials that emphasize and encourage our managers to use this important authority. A consortium of our component recruiters and recruitment coordination offices are very aware of the need to use this authority to seek and retain new college graduates.

APPEALS FLEXIBILITY

14. Senator AKAKA. Dr. Chu, Congress provided the DOD with personnel flexibility similar to that granted to the Department of Homeland Security (DHS), and I am sure that you are monitoring the proposed regulations of DHS and OPM. Last week, I, along with several of my colleagues, expressed concern over the appeals system proposed for DHS. I believe the proposal lacks independence, is unfair to employees by lowering the agency's burden of proof, and eliminates the ability for a true independent agency, the Merit Systems Protection Board (MSPB), to alter penalties. While the appeals flexibility granted to the DOD differs from that granted to DHS, I am interested in your views on the DHS appeals proposals and whether it is being considered for the NSPS?

Dr. CHU. As you pointed out, the DHS appeals legislation is different than the NSPS legislation. Just as DHS has proposed a system they need to accomplish their mission, we will develop a system that we need to accomplish DOD's mission. We are early into this process; while eventually there may be similarities there may also be significant differences. We won't know the final result until we complete our design process.

MONRONEY AMENDMENT

15. Senator AKAKA. Dr. Chu, during the Governmental Affairs Committee hearing on the NSPS last June, I asked Secretary Rumsfeld whether the DOD would retain the Monroney Amendment as it relates to blue collar workers. The Monroney Amendment requires that in determining the prevailing rates for Federal Wage System employees, when the Government has a dominant industry in a particular area, the private sector data must come from that same industry. In response to my question, you noted that no decision had been made on the applicability of Monroney. Have there been discussions on the Monroney Amendment?

Dr. CHU. The DOD is still looking at options with regard to Federal Wage System. Until the system design is completed, we cannot determine if the DOD will continue to follow the Government-wide rules or utilize the flexibility in NSPS to modify the pay methodology for blue-collar pay.

MILITARY TO CIVILIAN CONVERSION

16. Senator AKAKA. Dr. Chu, when Congress was considering the National Defense Authorization Act for Fiscal Year 2004, you stated that the NSPS would allow the DOD to convert 300,000 jobs performed by the military to the civilian workforce. However, now the DOD plans to only convert 20,000 positions over the next 2 years. What are these positions and how were they identified for conversion?

Dr. CHU. The estimate of 300,000+ refers to military positions that could be converted to civil status. A careful review process will help determine which should be converted.

When implemented, NSPS will greatly facilitate the use of civilian personnel to perform duties formerly fulfilled by the military. We are beginning the conversion process even as NSPS is being implemented. Of the 20,070 military identified for conversion in fiscal year 2004 and fiscal year 2005, 10,968 are Army; 2,648 are Navy; 4,338 are Air Force; and 2,116 are Marine Corps billets.

These military billets were identified for conversion during our annual review of the DOD workforce. In this iterative process, the DOD conducts an inventory of its military (active, Reserve, and National Guard) and civilian (U.S. and foreign national) manpower. As a part of this review, we assess what is military and civilian essential and identify what should be converted to DOD civilian or private sector performance occupations such as personnel, medical, guards, and mariners will be the types that will be the focus of the initial conversions.

17. Senator AKAKA. Dr. Chu, do you have a timeline for when DOD plans to convert the remaining 280,000 positions?

Dr. CHU. The 20,000 conversions programmed for fiscal year 2004 and fiscal year 2005 are only the beginning. Additional conversions for fiscal year 2006 and the succeeding years are being identified. We are giving the Services the flexibility of determining the most expeditious, feasible and economical plan for the conversions. The pace of conversions will be importantly influenced by the pace of NSPS implementation.

18. Senator AKAKA. Dr. Chu, if not all of the 300,000 positions will be converted, please explain the discrepancy between your statements last June and today?

Dr. CHU. There is no discrepancy. Over the past year, the DOD has been reviewing over 300,000 active duty military in commercial activities that were exempted from conversion. These are positions that can be considered for DOD civilian or private sector performance and the minimum number the DOD is committed to reviewing.

However, even as we identify additional positions for conversion, there are several reasons why not all of the military in commercial activities can be converted. A portion is needed for overseas and sea-to-shore rotation, career progression, wartime assignments, and other similar requirements. The ultimate size of the larger conversion will depend on the merits of each situation within the 300,000+ positions up for review.

DEVELOPMENT OF NATIONAL SECURITY PERSONNEL SYSTEM

19. Senator AKAKA. Dr. Chu, you testified about the work the DOD is doing to develop NSPS, including meeting with unions. However, the National Defense Authorization Act for Fiscal Year 2004 requires the DOD to work jointly with OPM

in developing regulations for the new personnel system. Please describe the level of collaboration with OPM to date and plans for future collaboration.

Dr. CHU. The DOD has engaged the OPM as a full partner in the development of NSPS.

20. Senator AKAKA. Dr. Chu, in regards to OPM involvement, when did you unveil your proposed labor-management system and when did OPM become involved with the proposal?

Dr. CHU. No final proposals have been released. The only materials released previous to this date were initial concepts for discussion purposes only, at the request of the unions. OPM was provided this information before it was released to the unions. The DOD will continue to work with OPM as labor proposals as well as the other pieces of NSPS are developed.

21. Senator AKAKA. Dr. Chu, you testified that DOD has engaged in a dialogue with employee unions to bring them into the development of the new labor-management relations system. Yet, I have heard from union representatives that no effective communication has taken place in the meetings between DOD and employee unions. What is your perception of these meetings, and what would you suggest to ensure better communication and collaboration with Federal employee unions?

Dr. CHU. At the January 22 meeting with union representatives, we offered to develop the new labor and management relations via an open discussion about how we can effectively change the labor system in DOD. The unions were opposed to that idea and requested that we provide them a concept paper to which they could react. The unions then denounced the DOD for meeting their request! We seek fruitful discussions with the unions and look forward to a dialog that will help shape positive change.

22. Senator AKAKA. Dr. Chu, can you describe the process by which you are receiving union proposals and incorporating their suggestions?

Dr. CHU. The DOD is now engaged in a strategic assessment of the NSPS. The reengineered process will have frequent and meaningful union participation.

23. Senator AKAKA. Dr. Chu, you testified that the NSPS must be fair and perceived as fair to accomplish DOD's mission. I agree. However, I feel that giving the Secretary of Defense the final word in bargaining impasses and discretion over bargainable issues is not fair. Please describe what steps you are taking to ensure that the new system is both fair and perceived as fair.

Dr. CHU. The DOD will build a system that allows both employees and their representatives a fair way to address the issues of concern. The approach to determining bargainable issues and resolving impasses is laid out in the statute Congress enacted.

24. Senator AKAKA. Dr. Chu, the initial DOD proposal on labor-management relations states that NSPS will not employ any provisions of chapter 71 of title 5, which relates to labor-management rights. However, chapter 71 is non-waivable under the law. Please describe how your initial proposal is consistent with the law if chapter 71 is essentially waived. Why did the DOD decide to waive chapter 71?

Dr. CHU. Section 9902(m) of the National Defense Authorization Act for Fiscal Year 2004 provided the authority to build a new labor management relations system not withstanding section 9902(d)(2).

25. Senator AKAKA. Dr. Chu, your written testimony describes the NSPS as preserving DOD employees' rights to join unions and bargain. The DOD's labor-management proposal for NSPS also states that collective bargaining in the DOD will allow parties to collaborate by focusing bargaining on issues of significant impact. In addition to concerns over communication with the DOD, Federal employee unions have expressed concern over the meaning of significant impact and how the DOD would define collective bargaining and consultation. How is the DOD defining the terms "significant impact, collective bargaining," and "consultation?"

Dr. CHU. Terms associated with the labor concepts provided to the unions on February 6 have not yet been defined. The definition of these terms or the need to define these terms is part of the development process that is not yet complete.

26. Senator AKAKA. Dr. Chu, what is the status of the DOD's work on the employee appeals system under NSPS? In developing this proposal, and that on the labor-management system, did you examine the impact the new systems would have

on other agencies' cases before the MSPB and the Federal Labor Relations Authority (FLRA)?

Dr. CHU. The DOD has engaged in some preliminary work on the appeals process. The DOD is not looking at other agency cases before MSPB or FLRA, as the system DOD is building is a DOD system, not a government-wide system.

27. Senator AKAKA. Dr. Chu, the National Defense Authorization Act requires DOD and OPM to jointly prescribe regulations for NSPS. Do you believe the act requires regulations to be published in the Federal Register, and if not, why? If your answer is no, will you publish them anyway to preserve openness and transparency?

Dr. CHU. The Act does not require regulations to be published in the Federal Register; however, the DOD will use the Federal Register process when the regulations are developed. DOD will provide employee access to the regulations in whatever venue is used to publish them.

QUESTIONS SUBMITTED BY SENATOR EVAN BAYH

MILITARY FAMILY RESEARCH INSTITUTE

28. Senator BAYH. Dr. Chu, please describe the mission of the Military Family Research Institute (MFRI), headquartered at Purdue University.

Dr. CHU. The MFRI performs basic research on quality-of-life aspects for DOD personnel and their families, with emphasis on those areas most affecting job satisfaction, performance, and employee retention. The MFRI also provides venues for informing senior DOD personnel and others of the personnel policy-relevant aspects of such research findings. The primary goals are to: (1) stimulate research, of high scientific merit, on the subject of retention-related quality of life issues; (2) develop/implement/conduct DOD approved educational efforts that inform senior DOD leaders and selected others of research findings relevant to employee quality of life, job satisfaction, performance, and retention; and (3) investigate the effectiveness of innovative approaches to improving employee retention/job satisfaction and the quality of life of employees and their families.

29. Senator BAYH. Dr. Chu, what is the relationship between Purdue and the DOD?

Dr. CHU. The DOD holds a Cooperative Agreement, entitled the "Military Family Research Institute," with Purdue University. This agreement was awarded in 2000 on a competitive basis to run through April 2004. The MFRI has been granted a no-cost extension to operate through April 2005.

The MFRI has developed into an integral component necessary to the strategic development of quality of life programs and services for military personnel and their families. In a precedent setting initiative for the DOD, the MFRI has developed a commitment index to measure service members' and their spouses' commitment to continuing military service. The commitment index will identify key life events impacting the normative, affective, and continuance forms of commitment. This index, crossing all the military services, will track the levels of commitment over time through the causal structure of factors contributing to changes in commitment levels. Without properly identifying changes in the commitment of the force, unforeseen decreases in retention could result.

MFRI has also made significant contributions to policy development in other areas. Child care is one of the most important mobilization and deployment issues for military families, and becomes even more of a challenge as the DOD implements rebasing. The MFRI study on the Financial Landscape for Military Parents of Young Children focuses on the child care arrangements used by military families with children younger than 6 years of age. MFRI also conducted an exhaustive salary and benefits study of staff in military Child Development Centers relative to comparable employees inside and outside of the military.

MFRI developed an annotated bibliography focusing on family separation and deployment, posted on the MFRI Web site, which has been downloaded over 3,000 times.

MFRI is also working on a comprehensive study to examine the impact of Permanent Changes of Station on military children and families.

The MFRI brings a rigorous academic and research perspective within which to examine military quality of life issues.

30. Senator BAYH. Dr. Chu, what are your future plans for continuation of the MFRI?

Dr. CHU. MFRI has made significant contributions to the body of research supporting quality-of-life policies and programs. The DOD will make its decision about continuing this effort based on the best way to pursue quality-of-life improvements.

[Whereupon, at 5:49 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

THURSDAY, MARCH 4, 2004

U.S. SENATE,
SUBCOMMITTEE ON PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

COMPENSATION, BENEFITS, AND HEALTH CARE FOR ACTIVE AND RESERVE MILITARY PERSONNEL AND THEIR FAMILIES

The subcommittee met, pursuant to notice, at 2:32 p.m., in room SR–222, Russell Senate Office Building, Senator Saxby Chambliss (chairman of the subcommittee) presiding.

Committee members present: Senators Chambliss, Collins, E. Benjamin Nelson, and Pryor.

Committee staff member present: Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Gregory T. Kiley, professional staff member; Diana G. Tabler, professional staff member; and Richard T. Walsh, counsel.

Minority staff members present: Gabrielle Eisen, research assistant; and Gerald J. Leeling, minority counsel.

Staff assistants present: Sara R. Mareno, and Pendred K. Wilson.

Committee members' assistants present: Derek J. Maurer, assistant to Senator Collins; Clyde A. Taylor IV, assistant to Senator Chambliss; Aleix Jarvis and Meredith Moseley, assistants to Senator Graham; Eric Pierce, assistant to Senator E. Benjamin Nelson; and Terri Glaze, assistant to Senator Pryor.

OPENING STATEMENT OF SENATOR SAXBY CHAMBLISS, CHAIRMAN

Senator CHAMBLISS. Good afternoon, ladies and gentlemen. The subcommittee will come to order. The subcommittee meets today to receive testimony on compensation benefits and health care for our active and Reserve military personnel and their families in review of the Defense Authorization Request for Fiscal Year 2005.

We will receive testimony from three panels of witnesses this afternoon. On the first panel, we are very pleased to welcome Senator Tom Daschle, the Democratic leader, and Senator Lindsay Graham, our colleague on the full committee.

In a letter to Chairman Warner last month, Senators Daschle and Graham requested an opportunity to testify on the issue of health care for members of the Guard and Reserve. Without objection, I will enter their letter into the record. We welcome those colleagues and hopefully they'll be here by the time we complete our opening statements.

[The information referred to follows:]

United States Senate
WASHINGTON, DC 20510

February 25, 2004

The Honorable John Warner
Chairman, Senate Committee on Armed Services
The Honorable Carl Levin
Ranking Member, Senate Committee on Armed Services
Russell Senate Office Building
Washington, DC 20510

Dear Chairman Warner and Senator Levin:

All Americans should also take pride in this committee's work to provide our troops the resources, equipment, and training they need to do carry out what their nation asks of them. As the Senate's principal committee of jurisdiction for defense policy issues, the Armed Services Committee has repeatedly demonstrated that supporting our troops and their families is your top priority. You and the other members of this committee deserve credit for your actions in this regard.

As a result of your jurisdictional responsibilities and your proven commitment to our troops, we are writing to request an opportunity to appear before the committee to provide testimony on an issue that is extremely important, not only to our military personnel and their families, but also this nation's security. We wish to discuss with you the growing importance of the Guard and Reserve to our national security and our belief that providing these soldiers and their families with access to health care can help ensure that we can recruit and retain the personnel needed to keep this force strong. Last year, with your support, a broad bipartisan majority of the Senate voted to provide TRICARE access for one year. Since we took this initial step, we believe both the need and support have grown for a permanent TRICARE program.

As you know, America's security relies increasingly on our Guard and Reserve. Our reserve forces have played an integral role in every military operation since Desert Storm/Desert Shield. Reserves have assumed the entire peacekeeping mission in the Balkans and will soon constitute 40 percent of our force in Iraq. Our increasing reliance on the reserves has meant these soldiers are called upon to do more and to do it more frequently. They are activated more frequently, deployed abroad more frequently, and separated from their families and communities more frequently. Not surprisingly, concerns are beginning to be raised about the impact of more frequent and lengthy activations on the Guard and Reserve's ability to recruit and retain quality personnel. Late last month, Lieutenant General James R. Helmly, head of the Army Reserve, said we must guard against a potential crisis in our ability to recruit and retain troops, warning that serious problems are being masked temporarily because reservists are barred from leaving the military while their units are mobilized in Iraq. Rather than sit back and wait for these problems to become more apparent, Helmly said, "We must apply proactive, preventive measures to prevent a recruiting-retention crisis."

We know you share our commitment to our Guard and Reserve and our view of their growing importance to our nation's security. Given the stakes involved if General Helmly is correct and we are on the verge of a recruitment-retention crisis, we hope you will provide us the opportunity to discuss proactive measures we can take to keep our reserve force and the nation strong.

Sincerely,

Tom Daschle
United States Senate

Lindsey O. Graham
United States Senate

Senator CHAMBLISS. On our second panel we will hear from Charles S. Abell, Principal Deputy Under Secretary of Defense for Personnel and Readiness, and Dr. William Winkenwerder, Jr., Assistant Secretary of Defense for Health Affairs.

Our third panel will consist of representatives of military and veterans' organizations and the American Legion. I will introduce each witness at the beginning of that panel. We welcome all of you to this hearing this afternoon.

I want to start today by recognizing the magnificent performance of the men and women of the United States military, both active and Reserve, in Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). I want to also commend their families for the sacrifices they have made and for the support they provide to our military personnel.

One year ago, we were only days away from the start of OIF, a brilliant military campaign that swept Saddam Hussein from power and liberated the people of Iraq. Our soldiers, sailors, airmen, and marines performed magnificently and continue to do so today. They did very well.

We mourn for those who have paid the ultimate price for the defense of freedom. Our prayers go out to the families of those who have died and to those who have been injured, and we pray for the safety of those returning and those beginning new missions in the defense of freedom in Iraq and throughout the globe.

Our American military personnel work tirelessly to preserve our freedom. In short, they are the best at what they do and they deserve the best that our country can give them. The Personnel Subcommittee has worked hard to ensure that compensation continues to improve for our military forces, that health care is of the highest quality and accessible to all who are eligible, and that families receive the support they need.

Quality of life programs, such as schools, child care services, commissaries, exchanges, and morale and welfare programs are essential elements of the compensation and benefits we provide to military families.

Our field hearings this year at Robins Air Force Base in Georgia and Offutt Air Force Base in Nebraska focused on these issues. Spouses of deployed service members and military parents articulated the problems they face in striving to raise strong families

while their loved ones are deployed and during frequent career moves. We will continue to focus on these issues during our deliberations on the fiscal year 2005 budget, for never have these programs been more important than in the environment of increased operational tempo (OPTEMPO) that our forces and their families are experiencing today.

In the National Defense Authorization Act for Fiscal Year 2004, we undertook several initiatives to support military members and their families, such as increases in basic and special pays, phase in of concurrent receipt of military retired pay, veterans' disability compensation for certain military retirees, an increase in death benefits, reduction in out-of-pocket expenses for base housing, and improving the survivors benefits plan.

Many initiatives were enacted for Reserve component members, who now comprise some 40 percent of the deployed forces in Iraq, including enhanced health care benefits and access to services including commissaries. We also directed that the Department of Defense (DOD) take steps to ensure that military families and retirees who choose the TRICARE standard option have better information and access to civilian providers, and we enacted new flexible civilian hiring authorities for the Secretary of Defense (SECDEF) in the National Security Personnel System.

The subcommittee will closely monitor the progress the DOD is making in implementing these new benefits in the weeks and months ahead. Compensation benefits and health care continue to be of paramount concern to us all.

Once again, I want to thank my colleague and my good friend, Senator Ben Nelson, the subcommittee's ranking member. The hallmark of the Subcommittee on Personnel is a strong bipartisan spirit and I know that I speak for all members of our subcommittee in saying that this is our continuing commitment. At this time I'll turn to Senator Nelson for any comments he might have.

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Well, thank you very much, Mr. Chairman, for those kind comments and also for holding this very important hearing so that we can focus on matters that contribute to the quality of life for our soldiers, sailors, airmen, and marines, active and Reserve, currently serving and retired, and their families.

It's my privilege to work with you on this occasion and so many other occasions where we are concerned with adequate compensation for our service members. We strive to compensate them for their duties and offer them a quality of life that will enable them to continue to serve and live comfortably.

Service families deserve a quality of life comparable to that of their civilian counterparts. Anything less is inadequate and inappropriate. Quality of life for our service members is particularly important now when the extensive commitments of our military forces are pushing our military families to the limit.

It's no simple matter to address all of the quality of life issues for our diversified armed services. Our military make-up has undergone a significant demographic change since we initiated the All-Volunteer Force in 1973. Before that, our military was mainly

a conscripted force, mostly male, unmarried, and without children. The composition of our military is a lot more complex today.

Many more military members today have family obligations, and this has a profound impact on the variety and kinds of programs needed to support our military personnel. To demonstrate the complexity of the family make-up of our Armed Forces, let me list just a few of the combinations that we see. More than half of the force is married, many with children. We have dual military couples, where in some cases both husband and wife are in the same Service, and in others they're in different Services. Normally, the husband is the service member in those families where only one spouse is in the military, but we also have a number of families where the wife is the service member and the husband is the civilian.

We also have a number of single-parent families, some where the mother is the single-parent service member and a surprising number where the father is the single-parent service member.

The reason that I listed all of these different family configurations is to demonstrate the wide variety of programs that we need to care for these families. Each family make-up has unique needs. We need child care programs that address the needs of single military parents as they work unpredictable shifts or are subject to short-term military exercises, or longer-term or shorter-term deployments.

We need programs for children when one parent is in the Service and the other is a civilian working at what some would refer to as a normal job. We need education programs that meet the needs of children who relocate every few years. We need after-school programs and summer youth programs for every age group to provide a healthy environment for military children.

Now, in addition to the programs that are specifically for the children, the Services provide many other support programs for families and spouses. These include deployment mobilization support programs, family advocacy programs, parenting programs, financial management programs, relocation assistance programs, spouse employment assistance programs, and comprehensive health care programs.

Health care is one of the most important benefits affecting the quality of life of our service members. The DOD provides an excellent health program to active-duty service members, military retirees, and their families. But one of the issues we'll grapple with this year is whether we can provide a similar health care benefit to members of the Guard and Reserve who have responded so well to the Nation's call to service in the war on terror. I'm pleased that Senators Daschle and Graham, have taken the lead on expanding health care benefits for members of the Guard and Reserve and their families, and that they're going to testify today about the growing need for this benefit. I'm proud to be a co-sponsor of their bill, S.2035.

Senator Levin, the ranking member of the full committee, asked that I express his apologies for not being able to be here today. He is unavailable at the present time, as he's participating in a very significant Intelligence Committee hearing where the Director of Central Intelligence (DCI) is the principal witness, and I know that the chair intends to be at that hearing rather shortly.

So, Mr. Chairman, again, thanks for holding the hearing and I look forward to hearing from the panelists, as always.

Senator CHAMBLISS. Thank you, and we have half the tag-team match here with Senator Graham being present. We're joined by Senator Pryor and Senator Collins. Do either of you have any comment before we move on?

Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman. Until Senator Daschle comes, that's an invitation for Senator Pryor and I to give our opening statements after all.

Senator CHAMBLISS. Certainly.

Senator COLLINS. Let me start by first commending you and Senator Ben Nelson for your leadership in improving the support that we give to our troops. I'm very proud of all of our troops. They do an extraordinary job. I have a particular interest in making sure that we continue the efforts begun last year in improving the benefits that we are giving to our Reserve and National Guard.

My State has the third highest percentage in the Nation of deployed members of the National Guard and I'm very much aware of their sacrifices. I've introduced a bill to increase the educational benefits that we give the Reserves. I hope this subcommittee will look favorably on it.

I see that we have been joined by the Democratic leader now, so I will just ask that the balance of my statement be put in the record.

[The prepared statement of Senator Collins follows:]

PREPARED STATEMENT BY SENATOR SUSAN M. COLLINS

Thank you Mr. Chairman. I'd like to thank our panels for their commitment to our troops to ensure that our men and women in the military are receiving as much support as possible from the Department of Defense and from Congress and that they remain the best paid, best equipped, and best trained in the world.

Virtually all Service recruitment and retention goals were met in fiscal year 2003. I think this is an extremely healthy sign that military service is an attractive career option for young men and women.

I'm also pleased that the Department of Defense is investing in increased language ability. Our war on terrorism is being fought on too many fronts to rely any longer on only the languages of the Cold War era.

Our Government is doing a great service in pursuing the expedition of citizenship applications for immigrants who serve in the military. If individuals are willing to serve in the military and take the same risks as any other soldier, sailor, or airman, they should have all the benefits associated with being citizens of this great Nation.

This was one of the reasons that I introduced the Selected Reserve Educational Assistance Act of 2003 to extend the opportunity of higher education to those men and women in uniform. This legislation provides our National Guard and Reserve personnel, many of whom are currently mobilized, deployed, and fighting around the globe, with educational opportunities as intended by the Montgomery GI Bill.

Mr. Chairman, I thank you and look forward to hearing the testimony of our witnesses.

Senator CHAMBLISS. Certainly, without objection. Senator Pryor, any comments?

Senator PRYOR. No, except to thank you and Senator Nelson for your leadership. I certainly look forward to hearing from Senator Daschle and Colonel Graham.

Senator CHAMBLISS. Right. Brand-new Colonel Graham. Gentlemen, we would welcome you, and Senator Daschle, you and Senator Graham, if you will come forward. We thought about putting you guys under oath here. [Laughter.]

First of all, let me just say that we appreciate the leadership both of you have provided on the issue of providing additional benefits to our Guard and Reserve. Senator Nelson, Senator Pryor, Senator Collins, and I all worked very closely together during the Defense Authorization Bill last year with leadership being provided by you two on this issue, and on behalf of all the service men and women, on behalf of this subcommittee, we appreciate your leadership there.

Senator Daschle, we look forward to your comments and welcome to the subcommittee.

STATEMENT OF HON. TOM DASCHLE, U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. Mr. Chairman, thank you very much, Senator Nelson, Senator Collins, Senator Pryor. It is an honor for me to be here with our colleague, Colonel Graham. He is really one of the most persistent members that I have had the opportunity to work with. Because of his persistence and our determination to see this through, I am confident that one day we will do so.

I have an extended statement that I would ask your consent to be placed in the record, Mr. Chairman.

Senator CHAMBLISS. Certainly. Without objection.

Senator DASCHLE. Let me just say that first I thank you for your commitment to providing the kind of support to the Guard that is so critical. I was looking at numbers the other day that really surprised me: 180,000 members of the Guard and Reserve are on active duty today. That's 40 percent of our entire force in Iraq.

It's a reminder of the extraordinary change that has occurred since the end of the Cold War with the integration of the Guard. Active and Reserve Forces have never been as integrated. We have never seen the call-up of the Guard in South Dakota that we've seen here since World War II. Seventeen hundred members are serving on active duty as we speak, and like Senator Collins, it's one of the highest percentages per capita in the country.

I think the time has come for us to recognize this new integration. It seems to me that if you're doing the same job, you ought to have access to the same benefits. That's really what we're saying with this legislation. We'll never be in a position where reservists and active duty personnel have exactly the same benefits, but we should try to do so when it comes to providing access to health care. Trying to do so is important when you have to recognize that 30 percent of all members of the Guard, at least in South Dakota, don't have health insurance today, yet they too defend our country. We believe they ought to have that same opportunity to access health care.

What a lot of people don't realize, and I know that the four of you realize this all too well, is that under our bill this isn't a free handout to members of the Guard. They'll pay a premium if this legislation is enacted. Unlike their active duty counterparts, this is something they will pay for. So we're only asking for that access, that opportunity to ensure these troops and their families have access to affordable health care when they're fighting for their country and when they have served their country as well as they have in this integrated new force.

I think it also is good policy because it reflects the growing concern that many of us have about retention. Our Guard members are now making a tremendous sacrifice for their country and its getting harder and harder to recruit and retain personnel. It seems to me that we ought to be doing all we can to retain the high-qualified, well-trained personnel that we have serving in the Guard today. We're told that there is no better recruiting tool than providing reservists access to health care. This is the highest priority of many members of the Guard and Reserve. If we can provide them that opportunity, they're going to serve for a much longer period of time and our country will be well-served.

So, Mr. Chairman, and members of the subcommittee, I know we're almost preaching to the choir. You share our commitment and we're grateful to each of you for your willingness to be so supportive. Again, let me start where I ended. It's a delight to work with Senator Graham on this and I'm hopeful and somewhat confident that at the end of the day we're going to get this job done.

[The prepared statement of Senator Daschle follows:]

PREPARED STATEMENT BY SENATOR TOM DASCHLE

Thank you, Chairman Chambliss and Ranking Member Nelson, for the opportunity to appear today. This subcommittee has played an important role over the years in supporting men and women of the Reserves, and it's an honor to testify. I am pleased to be joined by Senator Graham—or should I say, Colonel Graham. Congratulations, Colonel, on your recent promotion!

This Nation's security increasingly rests on the contributions of our Guard and Reserve personnel. To ensure that these brave men and women will continue to be there when their Nation calls, Senator Graham and I believe we need to demonstrate that we appreciate their service and sacrifice.

There can be little doubt that our Nation has placed an increasingly heavy burden on reservists in recent years. For example, the Guard has been assigned the entire peacekeeping mission in the Balkans and the Sinai Peninsula. As of this week, 180,000 reservists have been mobilized. Reserve personnel play an important role in Afghanistan. In Iraq, Reserve personnel have been critical to all that has been accomplished to date.

That our Reserve personnel have done much and sacrificed much in Iraq is borne out by the fact that over 40 Army reservists have been killed in action and over 500 wounded. That they will be called upon to do even more is demonstrated by the fact that when the ongoing troop rotation is complete, Reserve personnel will comprise 40 percent of our total force in Iraq.

Given our current and projected security needs, it seems clear this Nation's dependence on our Guard and Reserve personnel will not diminish and may well grow. Our Nation's increased reliance on reservists means these citizen-soldiers are more likely to be soldiers and less likely to be citizens. More likely to be with their comrades-in-arms and less likely to be in the arms of their loved ones. More likely to be working with their fellow soldiers to make this Nation more secure and less likely to be at work in their communities.

We believe that at the same time we are asking for this additional sacrifice from our reservists and their families, it is unworthy of this great Nation to do nothing in return. Although we recognize that some in the Pentagon assert there is no hard data that demonstrates recruitment and retention problems, we believe there is plenty of evidence of a looming problem, and if we wait for the so-called "hard" data, it will be too late.

On this we agree with Governor Mark Sanford from Senator Graham's home State, Lt. General James Helmly, head of the Army Reserve, and Eric Parnell, a guardsman from Oregon. Last week Governor Sanford told the Nation's governors that a flood of grocers, insurance agents, small business owners, and others who make up the Guard will be reluctant to re-enlist because of the increasing demands on their time.

General Helmly said that stop loss orders are masking a potential crisis in troop retention. He said, "we must apply proactive, preventive measures to prevent a recruiting-retention crisis."

This from reservist Parnell, who is shipping out soon for Iraq but has already decided to leave the Guard when he returns: "It's going to be testing time for the Guard It's transformed from a weekend with the boys to an integral part of the Army."

General Mike Gorman, leader of South Dakota's Guard, as well as many South Dakota Guard families have told me that offering our Reserve personnel an option to purchase TRICARE coverage would be a powerful incentive to ensure that our Guard continues to attract and retain the best and brightest our Nation has to offer. I want to stress the word purchase. We recognize there is still a difference between active and Reserve duty. That is why rather than providing reservists free coverage, our proposal requires them to make a monthly contribution to access coverage.

Ensuring these troops have ongoing health care, even when not on active duty, would also promote unit readiness. As this subcommittee well knows, there are continuing questions and challenges with regard to the health readiness of reservists at time of mobilization. There are too many delays while units struggle to assemble medical records, schedule exams and arrange routine inoculations. TRICARE would improve health readiness, and health readiness means unit readiness.

Our Nation now has 180,000 reservists on active duty. I am proud to report that, on a per capita basis, few states are providing more of that force than South Dakota.

But at a time when we are asking more of reservists and their families in South Dakota, South Carolina, and all over this Nation, Senator Graham and I believe it is in our national interest that we do more for them. We ask that you join with us to allow our troops to purchase TRICARE health coverage for themselves and their families.

Thank you.

Senator CHAMBLISS. Thank you very much.

Senator Graham, welcome.

Senator GRAHAM. Thank you, Mr. Chairman. That's a tough act to follow. It has been an unusual year-plus for all of us in the Senate, particularly you, Mr. Chairman, and myself being freshmen members. It's been tough, it's been contentious, but there are some islands of agreement and this is one of them. I'd like to pay my respects to Senator Daschle. This bill would not have gone as far as it's gone without you, Senator Clinton, Senator Leahy, Senator Dewine, Senator Chambliss, Senator Allen—you can go down the list. This is one thing, it seems, that Republicans and Democrats seem to have a common view of, that the Guard and Reserve has been hit hard and it's time to upgrade their benefits.

It's been a bipartisan exercise I'm proud to be part of, and Senator Daschle has made it possible to get this far. We're close to the goal line. Mr. Chairman, part of this bill we stole from you about reducing the retirement age, and these ideas are a composite of ideas that have been out there for a long time. What we've done is put them together under one roof while trying to get as big a support network as possible.

What Senator Collins said about her State is the same in my State. South Carolina has the highest number of people deployed in support of the war since World War II. You go down to any State and you'll find the same response.

Lieutenant General James Henley said of the Army Reserve that this is the first extended duration war our Nation has fought with an all-volunteer force. As Senator Daschle said, 40 percent of the boots on the ground in Iraq are going to be Guard and Reserve. Everybody in Bosnia is a Guard member. Let's not forget about Bosnia. The same ratio is going to apply to Afghanistan. We must be sensitive to that and we must apply proactive preventive measures to prevent a recruiting retention crisis.

You mentioned my military rank and that shows you how desperate we are if I got promoted. [Laughter.]

The military needs some help because they're right at the bottom now. I am honored to be part of the Reserve community. It is a big part of my life. I've served on that duty for 6½ years, 4 years overseas. I know what it's like to be stationed overseas and what families go through there. I served in the Air National Guard during the last war. I was a lawyer, so the only people mad at me were my clients. They probably wanted to kill me, but I've never been in harm's way. But I've been around the pilots and air crews that were deployed and my job was to take care of their families' legal needs and to take care of their legal needs when they deployed.

When a military Reserve or Guard unit is deployed, it is a traumatic, patriotic event. Unlike an active duty base, there is no service where you can go down the street for counseling. There is no day care service where you can go down the street and have your children taken care of. The spouse left behind has to manage the world totally differently. We have to make it up as we go.

The one thing I've learned from Operation Desert Storm to now is that if we do not do better with a benefit package, we're going to lose a lot of dedicated, patriotic people, because the stress on their families is immense.

People ask, won't this take away from the Active Forces? Absolutely not. We're all here to help the active duty troops, but if we don't upgrade our benefit packages, people are just literally going to have to get out because they're leaving their jobs behind every 3 or 4 years and their families do not have the support network they deserve.

Recruiting, retention, and readiness are what this bill's about, and very quickly, here's how it works. If you get activated, the first thing that happens to you is you get briefed up and trained up and you have a medical exam. Twenty-five percent of the people called to active duty from the Guard and Reserve community are unable to be deployed because of health care problems. We have a readiness problem in the area of health.

The leading disqualifier health-wise is dental problems. One reason is most private plans don't have dental care. I would argue this proposal, for whatever it costs, pays for itself just by having the force more ready.

Here's what happens when you're called up, because I've lived this. More times than not, your salary goes down and your mortgage payment and all the other obligations you have can be renegotiated in the short term, but it takes a long time to get there. There's a tremendous amount of stress on a family when they're called to active duty.

More times than not, you have to leave your health care providers, if you have health insurance, that you've become accustomed to. When I was in Iraq, and I know the chairman and almost everyone I'm sure has been to Iraq at some point in time by now, eight of the nine flights that we took in theater were flown by Guard members. Seventy-five percent of people flying C–130s into theater are Guard crews or Reserve crews. The night crew was the Air Reserve crew.

There were two pilots in one plane, both about to be first-time dads. One person worked for Southwestern Bell and the company had voluntarily extended health care coverage to his family so his wife did not have to change doctors and hospitals. The other guy was a realtor. His wife had to change doctors and hospitals because they went into TRICARE and that caused a great upheaval.

What I am suggesting, along with Senator Daschle and the members of this subcommittee, is that if you're willing to serve your country as a Guard or Reserve member, and if you choose to and you're willing to be a premium, you can have access to the same doctors and hospitals year-round whether you're deployed or not. That will provide continuity of health care and it will be a great recruiting tool, because when I was called to active duty I served 100 days. I was one of four lawyers, and the chairman knows this very well. My partners took up the slack while I was gone, and let me tell you, the small business community is suffering greatly during this war.

If you could pick up the health care costs by having the Guard or Reserve member contribute, it would be a great relief to the employer community out there. It would provide continuity of health care for readiness and it would be a great recruiting retention tool.

When you serve and you get your 30 years in, and you have to wait until you're 60 to retire, that's the Cold War model. We need to change that model. The chairman has introduced an idea that will allow you to retire at 55 if you'll serve 30 years, and it works this way. For every 2 years you serve past 20, you retire a year earlier. I believe that's right, Mr. Chairman. If you serve 22, you get to retire at 59.

I cannot stress enough that people when they hit 20 are punching out in droves because they can't take a another deployment cycle. It's too stressful on their employer and their family. If you want to keep the best and brightest around that extra 10 years, we need a hook.

Small things go a long way in this community. If you ever go to a Guard or Reserve unit and you mention the idea of lowering the retirement age from 60 to 55, they will blow the roof off. They are paying attention to what we're doing here, their families are paying attention. They want to serve, they want to defend their country. That's what drives them to this, because it certainly is not the money. If we don't meet them half-way, we're going to have a blood-letting down the road.

I know this bill is expensive—it's about $7 billion over 5 years—but the question is, can you afford not to? My opinion is, it is time for us in a bipartisan fashion to act before we lose great Americans for no good reason. Thank you, Mr. Chairman.

Senator CHAMBLISS. Gentlemen, again, thank you very much for your leadership, and I will tell you we had a hearing on Tuesday of this week. We had a lot of stars in the room on the shoulders of the men and women that day. One of the witnesses came up to me afterwards and he told me he had a son who is in the Reserve who's serving in Iraq today, and he said, the most significant thing you all did for my son and his family was to allow her to have access to the commissary 12 months out of the year. He said, I know

that it seemed like a little thing to you all, but it was big in the hearts of the men and women in the Guard and Reserve.

Senator Miller and I co-chair the Reserve caucus. We had our first meeting this morning. We had a packed house of men and women who are supportive of the Guard and Reserve. It was a great meeting, great breakfast this morning.

Once again, we thank you for your leadership. We look forward to continuing the dialogue with you as we move into the authorization process for this year. Thank you very much.

Our next panel will include the Honorable Charles Abell, Principal Deputy Under Secretary of Defense for Personnel and Readiness, and the Honorable William Winkenwerder, Jr., Assistant Secretary of Defense for Health Affairs. Gentlemen, we welcome you too and we look forward to your testimony. We have your written statements, but we will be happy to have you summarize your written statements, and they, of course, will be entered into the record in their entirety.

Secretary Abell, welcome back to the subcommittee. Sometimes we forget you're sitting out there instead of sitting behind us like you did for so long and served us so well. But welcome here today. We look forward to your comments.

STATEMENT OF HON. CHARLES S. ABELL, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS

Mr. ABELL. Thank you, Mr. Chairman. I want to thank you for the opportunity to testify today on compensation, benefits, and quality of life programs. I also want to thank the Personnel Subcommittee for exercising the strong advocacy and support of these important benefits and programs.

To begin today, I commend the brave men and women in uniform who are defending our Nation at home and abroad and the DOD civilians and contractors who support them. Like many of you, I just returned from Iraq, in fact this past weekend. I visited Iraq, Kuwait, and Bahrain, where I found great soldiers, airmen, marines, and coast guardmen performing their duty with professionalism and enthusiasm.

I was heartened to see selfless activity throughout the theater, as units who have been serving in dangerous and austere conditions for a year are preparing to turn over to a replacement unit. Everywhere we went, units were working hard to leave the bases and facilities better than the condition in which they found them, improving the life for the incoming units.

All of these troops realized that their hard work would not benefit them, but they are determined to make the quality of life for those that follow them better than what they experienced. Selfless service, Mr. Chairman, working for the welfare of others. That's why I love the members of the Armed Forces. They make me proud every day.

I saw these military personnel on watch, on patrol, and while enjoying bustling exchange outlets and morale, welfare, and recreation (MWR) programs. Over the past year, I have visited many of the installations from which our troops deploy, from which Guard and Reserve members mobilized, and where families anxiously

wait. In every location, I found commissary exchange and MWR activities, along with other health care and community support programs, are responding to the special needs that accompany the global war on terror.

There have been and will continue to be challenges to support the front lines and the home front. At the same time, the compensation, benefit, and quality of life programs are positioning to change with transformation, a global posture review, and a round of base closures in 2005. I'm confident that collectively we are up to the task.

DOD is committed, Mr. Chairman, to providing the best and most effective suite of compensation and benefits to our forces. We are in a competitive business in which we try to recruit the best and brightest young men to serve. We also compete with private sector businesses to retain the highly-trained professional leaders we develop during their service.

We must provide our force competitive pay and benefits, good training, excellent, well-maintained equipment, and the personal attention to their family needs that they expect. The non-compensation benefits include world-class health care, commissary and exchange benefits, quality housing, and a safe place to work and relax.

DOD is equally committed to the MWR programs, including child care and fitness programs that form the military community support structure and contribute to mission readiness. Further, we recognize that many retirees rely on the resale programs and MWR activities to supplement their limited incomes.

We thank you for your support to provide emergency supplemental families for family assistance and morale programs. Mr. Chairman, I appreciate your support and that of this subcommittee. I'm prepared to answer any questions that you may have.

[The prepared statement of Mr. Abell follows:]

PREPARED STATEMENT BY HON. CHARLES S. ABELL

INTRODUCTION

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity to be here today. I look forward to answering your questions about compensation, benefits, and quality of life programs for our service members and their families.

We are committed to meeting the many different personnel needs of the military as it transforms for the 21st century. We are committed to providing the most useful benefits and best programs for the active and Reserve component members and the military families who support our troops. Recognizing the substantial commitment our military members make to their professions, we have an important responsibility to monitor and manage emerging issues so we can support our total force defense strategy.

In addition to providing an overview of programs that are familiar to you, I am happy to discuss the implementation efforts of new programs and modifications that you have authorized in the last year.

QUALITY OF LIFE

Mobilization and Deployment Support

Our service members are performing tough duty in austere locations, while their families cope with the stress and anxiety associated with extended separations. The American people have responded to Operating Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) with an outpouring of support for our troops and their families. Americans from every walk of life have extended a helping hand and generous spirit. Elementary school children are writing letters, Girl Scout troops are

donating cookies, church groups are making quilts, and community service organizations are donating telephone calling cards and frequent flier miles. Corporate America donations are growing and helping to sponsor family reunions, special televised tributes, and celebrity entertainment. This support has been key to the continuing upbeat morale of our troops.

The military services deserve credit and recognition for the fine job being done in quality of life support on the front. Exchange and morale, welfare, and recreation (MWR) personnel, including nearly 600 civilians, are serving with our troops at forward-deployed locations. These dedicated personnel are operating exchanges, ships stores, and recreational programs—often 24 hours a day, 7 days a week—in the Persian Gulf, the Demilitarized Zone (DMZ), the Gulf of Aden, Iraq, Tajikistan, to name a few. This endeavor is made possible thanks to the support of emergency supplemental funds, assistance from Defense Commissary Agency's (DeCA) distribution systems, strong support of our industry partners, and donations from the American people.

There are 52 Tactical Field Exchanges, 69 exchange supported/unit run field exchanges, and 15 ships' stores in the OEF and OIF theaters providing quality goods at a savings, and quality services necessary for day-to-day living. Goods and services offered include phone call centers, satellite phones, Internet cafes, video films, laundry and tailoring, photo development, health and beauty products, barber and beauty shops, vending and amusement machines, food and beverages, and name brand fast food operations. Goods and services vary by location based on troop strength and unit mission requirements.

The Services continue to improve their capability to support troops in deployed locations, recognizing that recreation supports the military mission by sustaining morale and fostering unit cohesion. The Army has established 25 large and 17 small MWR sites in Iraq and 3 MWR support locations in Afghanistan. The MWR standard is now to provide fitness and sports equipment, reading materials and continuing education support, movies, video and board games, special events generated by the deployed staff, and entertainment through Armed Forces Entertainment and the United Service Organization (USO). There are computers at free, MWR-operated Internet cafes, to support e-mail communication, which are operating at 124 locations in Iraq with another 53 locations to be added by this summer.

Armed Forces Entertainment, in cooperation with the USO, continues to provide much welcomed celebrity and professional entertainment to our forces engaged in the war on global terrorism. Robin Williams, Robert De Niro, Conan O'Brien, David Letterman, Drew Carey, Arnold Schwarzenegger, Gary Senise, Paul Rodriquez, George Gervin, Bruce Willis, Lee Ann Womack, Miss Universe, several National Association for Stock Car Auto Racing (NASCAR) and World Wrestling Federation (WWF) stars, and several National Football League (NFL) cheerleading squads are some of the many celebrities and entertainers who have generously donated their time to bring a taste of home to deployed forces.

It is a longstanding Department of Defense (DOD) practice for service members to be able to make subsidized or free telephone calls home. The frequency and duration of health, morale, and welfare calling using official phones are determined by the commander so as not to interfere with the mission. The National Defense Authorization Act (NDAA) for Fiscal Year 2004 requires that prepaid phone cards, or an equivalent telecommunications benefit, be provided without cost to service members serving in OEF and OIF. The telecommunications benefit may not exceed $40 or 120 calling minutes per month. The Secretary of Defense (SECDEF) may accept gifts and donations in order to defray the costs of the program. The program terminates September 30, 2004.

On the average, 50,000 health, morale, and welfare calls are made each day using the Defense Switched Network (DSN). The health, morale, and welfare calls provided at no cost to members serving in OEF and OIF approximate $9.36 per member per month. The military departments report the value of donated calling cards approaches $1 million a month, or about $5.19 per member. In addition, we will consider the value of email and Internet communications services provided at no cost to the deployed personnel.

An average of 315,000 minutes of daily calling is made over "unofficial lines" at exchange operated calling centers ashore and afloat where members pay for the calls. The unofficial calling rates have dropped from $.375 to $.32 per minute at calling centers and from $.90 to $.76 per minute on satellite phones used in remote areas. Shipboard, calling rates are still $1.00 per minute. As we implement the act, the exchanges continue efforts to reduce the cost of calls from the theater.

While theater conditions are not ideal to provide "calling anytime, anywhere," we are committed to expanding available service as infrastructure becomes available. We have mounted an information campaign to insure that members choose the most

economic calling method available and are looking at more convenient ways for the American public to purchase and donate the best value of calling minutes to service members.

Family and Youth

Support to family members is important during times of high operational tempo (OPTEMPO), both for the families of active duty and Reserve service members. Military communities offer comprehensive family support systems. Reserve families who live across America present a particular challenge. An aggressive effort is underway to reach families with easy access to accurate and timely information. The Military OneSource provides individual information and referral services by professional consultants concerning support available on the installation or in the community. The 24/7/365 toll-free telephone, e-mail and Web site services include information and referrals on parenting and child care, education, deployment and reunion, military life, health, financial, relocation, everyday issues (i.e. pet care, plumber), work and career, to name a few. Military OneSource is an augmentation, not a replacement, for family centers. Military OneSource is a joint project: each of the military services will have fully implemented the service by the end of fiscal year 2004. The Marine Corps was first to standup the program and is enjoying positive feedback and results.

Family assistance centers have increased operations to unprecedented levels to meet family needs. Nearly 300 centers serve as the primary delivery system for military family support programs, including deployment support, return and reunion, and repatriation for active duty, Guard, and Reserve members and their families. The Navy Exchange System Command has a well-established "pre-deployment" program partnership with the Navy and Marine family assistance centers to prepare members and their families for mobilization and deployments. The Army and Air Force Exchange Service recently launched a similar program designed to explain the exchange services, especially telecommunications, available to support deployed members and their families at home.

Reserve Family Readiness remains a critical issue for the DOD as we continue to draw upon the skills and capabilities resident in the Guard and Reserve to support the global war on terrorism. To assist the unit commander to support the unit members and their families, approximately 400 National Guard family assistance centers have been established to augment the family support system. These centers are established in communities where large densities of Guard and Reserve members have been mobilized. A "Guide to Reserve Family Member Benefits" informs family members about military benefits and entitlements, including medical and dental care, commissary and exchange privileges, military pay and allowances, and reemployment rights of the service member.

We are working on a Web-portal, the new Military Homefront, and envision that it will become the central, trusted, up-to-date source for service members and families to obtain information about all the DOD quality of life programs and services, whether they are planning a permanent change of station move, dealing with deployments and family separations, or looking for the specials at the commissary and exchange stores. The site will contain quick links to Military OneSource, to SITES4 (a comprehensive military community information database), and to and other sites supporting military families.

The military child development program continues to be a critical component in helping military parents fulfill their mission and focus on the job at hand and remains a high priority for the DOD. Stabilizing a child care arrangement can present a major challenge for families of deployed troops. To support families during deployment, emergency supplemental funding of $8 million in 2003 and $13.5 million in 2004 has been used to provide child care for extended hours on nights and weekends; drop-in, respite, and mildly ill care; and extended services to the Guard and Reserve. Because deployment of a family member can adversely affect a child's behavior both academically and socially, the DOD has developed several avenues to support children of military families, their parents, the staff who work with children, and the teachers who educate military children.

The DOD has the largest employee-sponsored child care program in the country serving over 200,000 children (birth–12 years of age) daily. Generally, military parents are young, often far from home, and without the support of families and neighbors. Child care for infants and toddlers is hard to find and expensive. Because 65 percent of military spouses are in the work force, quality, affordable child care is an economic necessity and quality of life issue for military families. We currently have child development programs at over 300 locations with over 900 child development centers and 9,000 family child care homes. There are 174,410 spaces with a calculated need for an additional 41,000 spaces. Military child development pro-

grams are nationally recognized as models by early childhood advocates and professional organizations. Since two-thirds of our families live in civilian communities, we are sponsoring demonstrations to partner with child care providers outside the gate. This will expand our ability to provide more care especially during deployments.

Installation youth centers provide computer labs with Internet connectivity to encourage communication between deployed parents and their children. In addition, tutoring programs are offered at youth centers to help children with their homework. Military life imposes unique demands on families. Military assignments often require families to be relocated far from family support networks and frequently require remote or temporary assignments. Relocation impacts all aspects of family life, spouse employment, family finances, a sense of belonging and security. On average, military families move twice as often as civilian families. During the adolescent years, relocating requires youth to re-establish peer support systems and friends at a very difficult stage of development. Further, adolescents tend to believe they have little control over the circumstances surrounding a move. The Department's Internet Web site— "Military Teens on the Move" (MTOM)—assists by providing relocation and outreach support to military adolescents ages 10–18. The goal of MTOM is to help teens make positive connections in their new community. We worked hard to ensure it would be appealing to youth and included their perspective and reflection of their world as it relates to every aspect of relocation. MTOM was expanded to include a second site, designed for school-age children ages 6–10.

Education

The Department of Defense Education Activity (DODEA) has been an active partner in supporting students and families during the war. All schools within DODEA have Crisis Management Teams to assist students and teachers during stressful times. Working in collaboration with military and civilian communities, they provide support before, during and after each deployment. This group of professionals fully understands the challenges faced by military students.

The quality of DOD schools is measured in many ways, but most importantly, as in other school systems, by student performance. DOD students regularly score substantially above the national average in every subject area at every grade level on a nationally standardized test. On the last National Assessment of Educational Progress tests DOD fourth and eighth graders, domestically and overseas, scored significantly better than the national average. Eighth grade students overseas schools tied with Massachusetts for the highest score in the Nation in reading. Eighth graders stateside ranked fourth. Fourth grade students overseas scored a third place national ranking in reading. On the mathematics assessment, DOD fourth and eighth graders also scored significantly better than the national average. Eighth grade students overseas achieved the third highest score. African-American and Hispanic DOD students scored at the top of the charts when compared with their stateside public school counterparts in both reading and math.

We have spent 3 years creating and implementing programs to improve the educational opportunities of 1.5 million school-aged children of active duty, Reserve and National Guard families attending the Nation's public schools. To gather data on issues affecting the mobile military child, DOD-sponsored Roundtables across the country in areas selected for their high degree of military presence (Texas, Georgia, California, and Washington State). Stakeholders included: military installation commanders, military parents and students, school superintendents and school board members, state legislators, state education department leaders, DOD leadership, and Service representatives. Together they discovered educational transition issues, discussed solutions, and promoted partnerships between military installations and surrounding school districts. Our advancements are showcased on the Web site, www.MilitaryStudent.org. It provides children, parents and educators with important information, articles, videos, guidebooks, and resources.

We have initiated partnerships with the Military Impacted Schools Association to sponsor the National Conference for the Military Child to highlight national best practices for public school and military leaders. In association with Department of Education's Safe and Drug Free Schools and the National Child Traumatic Stress Network (sponsored by the University of California-Los Angeles (UCLA), Duke University and the Department of Health and Human Services) we produced guidebook resources.

While enjoying great academic success, we continue to examine the most appropriate way to provide educational opportunities, recognizing that 1.5 million school-aged children of active duty, Reserve and National Guard families attend the Nation's public schools. As responsible stewards of the DOD resources, we began a study of the DOD stateside schools 2 years ago. The DOD Elementary and Second-

ary Schools Transfer Study addresses the question, "Should the DOD operate schools in the continental United States?" The study had no foregone conclusions and addressed each school and installation independently. Independent contractors performed the data collection phases of the study (facility evaluation and cost benefit analysis). DODEA conducted the Quality of Life Assessment of the study. A panel of three nationally recognized experts in school finance made recommendations for each school. We are undertaking a deliberate, thorough review of the study and recommendations. Once that is complete, the Military Services will be consulted for their input before any final decisions are reached.

Financial Stability

The financial stability of military families is important, particularly in light of large troop deployments and mobilization. To help families achieve financial stability, the DOD has embarked on an initiative that combines educating service members and their families on using their finances wisely, with expanding employment opportunities for military spouses. We have gained the cooperation of 26 prestigious Federal agencies and non-profit organizations and launched a Financial Readiness Campaign to enhance education and understanding of financial planning. We have already begun to see positive changes in the self-reported assessment of financial condition of service members.

The Armed Services Exchange Military Star Card credit program helps members establish and maintain a good credit history at a favorable interest rate (currently 9 percent). During deployment, members have two options. Charging privileges may be suspended and no interest is charged or payments made to the account. Alternatively, charging privileges may be maintained and a 6 percent interest rate is accrued (the normal interest rate is 9 percent).

We are partnering with Federal, State, and local governments and non-profit and private sector organizations to improve spouse employment and career opportunities and to address legislative and regulatory barriers that may inhibit financial stability and portability of jobs. Within our own family support structure, the commissary and exchange systems are the largest employers of family members—in fact, family members represent nearly a third of resale employees. The DOD schools and the child development program are also big employers of spouses. Through these initiatives the DOD seeks to enhance financial stability by promoting consistently reliable sources of income and the ability to save wisely to attain future life goals.

Resale and Morale, Welfare and Recreation Programs

The commissary benefit is an essential component of the non-pay compensation for members. In fiscal year 2003, the commissaries sold over $5 billion in groceries, a 1.5 percent increase over fiscal year 2002. Since last year, the DeCA increased customer savings from 31.6 percent to 32.1 percent. Customers are responding favorably to operating changes geared to improving merchandise selection and customer service. Results of the latest Commissary Customer Service Survey (CCSS) confirm that DeCA continues to provide both low prices and improved customer service. On a scale of 1 (very poor) to 5 (very good), commissary patrons ranked service at 4.42.

I'd like to thank Congress for enacting legislation to carry out our Social Compact promise to provide unlimited commissary benefits for Reserve and Guard members. The Department implemented the new authority the same day the President signed it into law.

The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) seeks the regular advice of the senior military and civilian leadership to monitor the commissary operations and to work together to guarantee a viable commissary benefit well into the future. This role has been formalized through the establishment of the Commissary Operating Board (COB). Dr. Chu, USD(P&R), recently appointed Vice Admiral Charles W. Moore, Jr., Deputy Chief of Naval Operations, Fleet Readiness and Logistics, as Chairman, COB for a 2-year term. We are meeting regularly with Vice Admiral Moore to obtain his counsel on the commissary benefit and DeCA operations.

Dr. Chu, Vice Admiral Moore, the senior military and civilian members of the COB, Major General Weidemer, Director, DeCA, and I, are working together to provide the commissary benefit in the most efficient and cost-effective manner to be able to guarantee that each dollar Congress provides from the American taxpayer is well spent. To do so means that commissaries that are no longer justified by their customer bases may close or be scaled back, while new stores may open where warranted and existing stores expand hours and stock assortment. In August 2003, I asked the military departments to more closely review 33 commissary operations. Based on their reports, there are no current plans to close those commissary stores.

While this scrutiny may make some uncomfortable, this annual review of the commissary system will be increasingly important in view of the Global Posture Review and the Base Realignment and Closure (BRAC) Commission round scheduled for 2005.

DeCA is fully funded in the fiscal year 2005 budget. DeCA has made significant progress by doubling the surcharge capital investment in stores, improving customer service ratings, and increasing the savings for commissary customers. While the DeCA budget has increased moderately each year since fiscal year 2000, sales increases have not kept pace. Thus, the taxpayer cost of each unit sold continues to rise—from $.2198 in fiscal year 2000 to $.2253 in fiscal year 2005. We believe that controlling the taxpayer subsidy while sustaining customer savings and improving customer service are mutually compatible. Through comparison to commercial industry best practices and performance indicators, we believe we can deliver the benefit in the most efficient and effective manner possible.

In fiscal year 2003, DeCA realized $6 million in savings from produce acquisition efficiencies of the Defense Supply Center Philadelphia. Other areas of opportunity continue to be pursued in personnel management and case ready meat. Under competitive sourcing provisions, DeCA has competed 3,572 positions from fiscal year 2000–fiscal year 2003, out of a Business Initiatives Council target of 6,392 to be competed by fiscal year 2009.

Fiscal year 2003 commissary customer savings of 32.1 percent continue to exceed the 30 percent target. I stress that this level of savings is an average—in some locations savings approach 50 percent, while in other locales savings fall below 20 percent. Under the current pricing structure of "cost plus 5 percent," DeCA has limited management tools to more consistently deliver the desired level of savings at each commissary location. Dr. Chu asked DeCA to conduct a study to determine the feasibility of adopting variable pricing while sustaining an average 30 percent savings on all products. Research on industry best practice suggest that DeCA could possibly deliver the desired 30 percent savings more consistently to commissary customers by using variable pricing. In response to the General Accounting Office (GAO) recommendations to consider a private label program, the study is also examining the potential for expanding DeCA's best value item program. A commercial study is underway and the results are expected in mid-March.

In response to reduced tobacco sales, increased customer savings resulting in lower prices, and more accurate projections of the long-term effect of September 11, DeCA does not expect sales growth to track with the grocery industry. With sluggish commissary sales forecast, DeCA expects surcharge collections to continue around $260 million. Although several planned surcharge projects will be deferred this year, DeCA is maintaining a robust capital investment program with 11 major construction projects totaling $106 million.

Exchanges

The three exchange systems, the Army and Air Force Exchange Service (AAFES), the Navy Exchange Service Command (NEXCOM), and the Marine Corps Exchange, continue to operate independently. Each Exchange Service provides two important non-pay compensation benefits for authorized patrons: selling quality goods and services at low prices and distributing earnings as dividends to support the Services MWR programs. Typically, the MWR programs use the exchange dividends to support their nonappropriated fund construction programs. The armed services oversee the operations under broad Department policy.

The exchanges and ships stores ended fiscal year 2003 with estimated sales of $10.5 billion and profits of $539.8 million. Sales increased $653 million (6.7 percent) over fiscal year 2002, but profits increased only $4.3 million (.8 percent), falling from 5.46 to 5.16 percent of sales. The decline in operating efficiency is principally attributed to OIF expenses that were not fully funded by appropriations, pension accounting, and charges for early retirement incentives. Fortunately, last year's projections by the exchanges of collapsing dividends and capital programs did not materialize due to hard work by each of the organizations.

The exchanges have identified $63 million in fiscal year 2004 appropriated fund requirements in support of OEF and OIF. Congress provided $55 million in response to the DOD fiscal year 2004 supplemental wartime request. Even with this strong taxpayer support, we are experiencing stress on the resale systems, both in terms of supporting contingency operations and producing a steady flow of funding for capitalization and MWR dividends.

On a combined basis, the projected fiscal year 2003 MWR dividends of $312.4 million represent 58 percent of exchange and ships stores profits. MWR dividends increased $2.3 million over last year. However, MWR dividends have not recovered to fiscal year 2001 levels of $342.7 million. In the meantime, the MWR programs

are becoming increasingly dependent on exchange dividends and are reducing their MWR capitalization programs as appropriated funding is reduced, especially in the Army and Navy.

In order to recover the previous levels of MWR dividends and capitalization, without adversely affecting exchange customer savings, customer satisfaction and capitalization programs, the exchanges must find ways to manage more efficiently. The three exchanges continue to work independently to reduce costs, especially at headquarters, and to raise customer satisfaction through improved business practices and information technology, often duplicating investments in systems and infrastructure.

As a means to rectify this situation, I formed the Unified Exchange Task Force in response to the decision by the Deputy Secretary of Defense to unify the three military exchanges into a single business entity. The task is to deliver an actionable plan within 2 years based on the principles of the President's Management Agenda and the Defense Transformation Plan. The integration process must sustain and enhance the current exchange benefit so that service members, their families, and retirees continue to have access to quality goods at fair prices. Integration should help reduce costs by the elimination of redundancies and streamlining of processes. We should also realize greater economies of scale as the military and the retail environment continue to change.

The task force has developed a number of tools and processes to guide implementation planning. Two governance groups were established. The first, an intermediate level, comprised of current exchange commanders and the exchange chief operating officers and chaired by the task force director, will monitor, review and approve various components of the implementation planning process itself. The second senior level of governance, composed of Joint Staff and Service three star leaders with exchange cognizance and Assistant Secretaries for Manpower and Reserve Affairs of the military departments and chaired by me, will resolve any contentious issues that may surface during planning and approve the draft implementation plan. Eight work teams, comprised of current exchange employees who are experts in their respective functional disciplines, have been chartered to develop the implementation plan. Two crosscutting work teams, also comprised of current exchange experts, will focus on end-to-end process integration and operating strategy development. The task force is collaborating with all teams providing analytic support, facilitators, and subject matter experts from the commercial retail community to assist in developing the plan.

The exchange commanders, their chief operating officers, and the exchange experts involved on the teams are working hard to meet deadlines and deliver a plan on schedule. I expect to deliver a detailed draft implementation plan to Deputy Secretary of Defense Wolfowitz and Congress in early 2005. The DOD is keeping the subcommittee members and staff apprised of our progress and look forward to responding to your questions as we move further down the planning path.

Each of the Service MWR programs is in sound financial condition, although nonappropriated fund operating results declined dramatically this year. The MWR programs attribute the decreased nonappropriated fund (NAF) operating performance to reduced exchange dividends, deployment, currency fluctuation, and higher NAF expenses to compensate for lower appropriated fund (APF) support. The continued vitality of the MWR program depends on sound management, a predictable stream of nonappropriated fund revenues, and also solid APF support of Category A and B activities.

Category A activities (fitness, libraries, recreation centers, single service member programs, intramural sports, and unit activities) should be supported 100 percent by APF. The DOD sets a minimum standard requiring at least 85 percent of total expenses being supported with APF. Since 1995, DOD has improved APF support to Category A from 83 percent to 91 percent in fiscal year 2003. Category B activities (childcare, youth programs, outdoor recreation, crafts and hobby shops, and small bowling centers) should be supported with a minimum APF of 65 percent of total expense. Again since 1995, DOD has improved APF support to Category B from 57 percent to 67 percent in fiscal year 2003. All of the Services, with the exception of the Marine Corps, have met minimum percentages of APF support for Categories A and B for fiscal year 2003. The Marine Corps has made a commitment to meet these minimum percentages in fiscal year 2004.

Preliminary estimates indicate fiscal year 2005 APF budgets for Army and Navy MWR programs are expected to decline $140 million from fiscal year 2003 levels. We are working with the Army and Navy to determine the impact of these reductions on troops and families.

Fitness is vital to force readiness. However, 60 percent of DOD fitness centers currently do not meet DOD fitness center program standards for facilities, staffing,

programs or equipment. In an effort to quickly improve DOD fitness program delivery, the DOD has initiated a Fitness Business Initiative Council to seek public-private partnerships. We have accomplished contracted site surveys at four installations and have two more installations scheduled for study. These site visits will produce business case analyses and identify public-private venture strategies. Our goal is to test promising strategies at these six installations by June 2005. Public-private venture strategies that prove successful will be conveyed to the Services for their consideration to implement at other installations having a need to improve their fitness programs.

Overall, capital investment in support of commissary, exchange, MWR and lodging programs is being maintained at about $1.1 billion each year, including the major construction programs. We appreciate the congressional approval to raise the minor construction threshold from $500,000 to $750,000 to coincide with the appropriated fund threshold.

The NAF capitalization program, for both MWR and exchanges, is largely dependent on exchange profits. Last August we submitted and you have approved a fiscal year 2004 major construction program that included 66 NAF projects for exchange, MWR and lodging activities totaling $307 million. Reductions in exchange dividends and appropriated fund support of MWR activities have resulted in a 21-percent decline in average NAF capital investment for MWR programs, primarily in the Army and Navy. Military construction appropriations for MWR, including child care, are also declining.

Transformation

The DOD has started work on a new global rebasing strategy to better meet future national security strategy requirements. Although the operational dimensions are paramount, improving the quality of life of relocated forces and their families is also important. Therefore, the DOD intends to consider quality of life in its rebasing strategy recommendations. These considerations will include schools, health care, housing, childcare, spouse employment, crime and safety. Overseas installations produce significant commissary surcharge funding and exchange profits. We will be closely evaluating the base restructuring initiatives to assess the impact on surcharge and nonappropriated capital investment programs.

At this juncture, we are not contemplating a moratorium on NAF and commissary surcharge construction programs. Concerns have been raised regarding the degree to which the DOD can continue to provide the MWR and resale benefits to authorized patrons. In preparation for BRAC 2005, we are evaluating the current policy and statute governing commissary and exchange operations on closed installations, to include combined store operations, to determine if modifications to statute or policy are needed.

The concept of combined commissary and exchange store operations as a mechanism to continue commissary and exchange support at closed and realigned installations has not been successful. The AAFES and NEXCOM have operated combined stores at four locations for several years: Homestead ARB, Florida; Fort McClellan, Alabama; NAS, Fort Worth, Texas; and Orlando, Florida. As required by statute, edible groceries are sold at cost plus 5 percent and the operations may receive appropriated funding up to 25 percent of the amount used by DeCA in the last year it operated the commissary. In our experience, the operating model results in losing grocery operations that require both appropriated funding from DeCA and NAF from the exchanges, which effectively reduces the MWR dividend.

In two cases, Homestead ARB Florida and Fort McClellan, Alabama, insufficient usage by authorized patrons and operating losses resulted in the decision to close the stores by December 31, 2003. After providing the required 90-day advance notification to Congress, we delayed the closure date in order to respond to congressional concerns. Because of the limited number of active-duty personnel in the Orlando area, we propose to convert the combined store to an independent exchange operation and cease appropriated funding on July 1, 2004. Grocery items would continue to be available, but will be sold at exchange prices.

With over two-thirds of active-duty families living off-base, more single parents, working spouses, deployments and OPTEMPO, there are special challenges in making sure that military families can and do take advantage of these important nonpay compensation benefits.

To this end, we need to begin to identify and evaluate a variety of operating formats and ways to deliver the benefits in those locations and situations where the traditional store format is not effective. Rather than viewing these options as a death knell for the benefits, we aim to encourage DeCA, the Armed Services Exchanges, and our industry partners to design new approaches that may better meet the demand for these important benefits.

We have reconfirmed the DOD's commitment to the commissary and exchange benefits as core elements of family support that provide valuable non-pay compensation to the military. Our aim is for all eligible customers to know the value of these benefits and to recognize them as measurable elements of compensation. We have set performance goals that should more consistently and effectively define, measure and communicate the commissary and exchange benefits.

For the second year, the DOD contracted with CFI Group to measure commissary and exchange customer satisfaction and provide comparison to industry using the American Customer Satisfaction Index (ACSI). The commissary and exchange goals are to meet the ACSI average customer satisfaction scores for the grocery and department/discount store industries. Although each of the resale activities routinely measures their own customer satisfaction, the ACSI survey provides an objective assessment that is benchmarked to industry. During the first 3 years of their participation in the ACSI survey, we agreed to keep the DeCA, NEXCOM, and MCX results confidential so a baseline could be created. I think it is appropriate to recognize that, after receiving their first scores last year, NEXCOM and the MCX developed special emphasis programs, using the ACSI survey results to tailor to the areas of greatest importance to their customers. I am told that their customers responded to these efforts with higher ratings during the most recent survey.

Work continues to define and measure commissary and exchange market basket savings and to benchmark capital investment and MWR dividends. The Military Exchanges are developing a uniform market basket and methodology for measuring savings and will use the NEXCOM contract to conduct the surveys. At this time, NEXCOM and AAFES have completed their surveys and report average savings of 15.8—16.7 percent (excluding sales tax, alcohol and tobacco products). The MCX results should be available mid-year.

IMPROVING MILITARY PERSONNEL MANAGEMENT

Recruiting

The success of our All-Volunteer Force starts with recruiting. During fiscal year 2003, the military services recruited 178,350 first-term enlistees and an additional 6,528 individuals with previous military service into their active-duty components, for a total of 184,878 active duty recruits, attaining over 100 percent of the DOD goal of 184,366 accessions.

The quality of new active duty recruits remained high in fiscal year 2003. DOD-wide, 95 percent of new active duty recruits were high school diploma graduates (against a goal of 90 percent) and 72 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent).

In the Reserve components, during fiscal year 2003, the military services recruited 259,290 first-term enlistees and an additional 84,312 individuals with previous military service for a total of 343,602 recruits, attaining 104 percent of the DOD goal of 331,622 accessions. All active and Reserve components, except the Army National Guard, achieved their accession goals.

We are closely monitoring the effects of mobilization on recruiting and retention, especially for the Reserve components. The Reserve end strength objective for fiscal year 2003 was achieved. Despite a recruiting shortfall, the Army National Guard did achieve its end strength, thanks to low attrition. The recruiting picture for the Army National Guard is much better through the first quarter of fiscal year 2004—achieving 102 percent of mission thus far.

We are optimistic that all Services will achieve their active-duty recruiting goals this fiscal year. All Services entered fiscal year 2004 with a sizable delayed entry program, and all Services are ahead of their year-to-date goals for active-duty recruiting. Unlike the active component, the Reserve components do not routinely contract recruits for accession into a future period. So, while the active components entered fiscal year 2003 with healthy delayed entry programs, the Reserve components must recruit their entire goal in this current fiscal year.

The trend of an increasing percentage of Reserve component recruits without prior military service continues. Approximately 50 percent are now expected to come directly from civilian life. This is a result of high active component retention contributing to lower Individual Ready Reserve (IRR) populations.

For 2004, all Reserve components are continuing to focus their efforts on maintaining aggressive enlistment programs by using both enlistment and re-enlistment incentives in critical skill areas. Emphasis will be placed on the prior service market for both officers and enlisted personnel. The Reserve components will expand their efforts to contact personnel who are planning to separate from the active component long before their scheduled separation and educate them on the opportunities available in the Guard and Reserve. In addition, the Reserve components will increase

their efforts to manage departures. All Reserve components are achieving success in retention, with year-to-date attrition well below previous years.

The Services accessed 17,909 commissioned officers to active duty in fiscal year 2003. The Marine Corps met its numerical commissioning requirement, with the Army and Navy finishing the year within 1.5 percent of their requirement. The Air Force finished with a shortfall of 4 percent, almost exclusively in medical specialty direct appointments. In fiscal year 2004, active-duty officer accessions are on track in all Services for numerical success this year. In fiscal year 2003, the Reserve components reduced the shortfall of junior grade officers by adding an additional 1,455 officers to the force.

Retention

In fiscal year 2003, retention was good. Services met virtually all of their retention goals. The Marine Corps barely missed its goal for retaining first-term personnel and the Air Force fell slightly short of its goal for retaining individuals in their second term of service. Despite extended deployments, long separations, and dangers of combat, soldiers are staying with the Army. This year's fiscal year outlook remains optimistic as evidenced by our first quarter achievements.

Active Duty Enlisted Retention, First Quarter, Fiscal Year 2004	Reenlisted	First Quarter Goal	Percent of Goal	Fiscal Year 2004 Goal	Fiscal Year 2005 Goal
Army					
- Initial	6,121	6,141	99.7	23,000	19,949
- Mid Career	5,046	5,276	95.6	20,292	23,528
- Career	3,411	3,330	102.4	12,808	11,881
Navy					
- Zone A	63.1 percent	56 percent	Exceeded	56 percent	Not available
- Zone B	76.3 percent	70 percent	Exceeded	70 percent	Not available
- Zone C	88.5 percent	85 percent	Exceeded	85 percent	Not available
Air Force					
- 1st Term	67 percent	55 percent	Exceeded	55 percent	55 percent
- 2nd Term	75.5 percent	75 percent	Exceeded	75 percent	75 percent
- Career	97.5 percent	95 percent	Exceeded	95 percent	95 percent
Marine Corps					
- 1st term	4,351	3,813	114 percent	5,958	5,850
- Subsequent	2,299	1,407	164 percent	5,628	5,900

The Services are adequately resourced to meet their retention goals provided the tempo and economic conditions remain at the same level as the last fiscal year. We will be monitoring retention carefully should the tempo increase further, or if economic developments require us to consider implementing additional incentives.

Joint Officer Management (JOM)

The mission requirements of the military are more focused on joint tasks; in fact, Joint Task Forces now define the way in which we array our forces for war and that has filtered down into our training methods. Military organizational structures have evolved to meet these new joint warfighting requirements. The DOD's management processes for joint duty assignments, education, and training are governed by the 1986 Goldwater-Nichols Act.

Although we have experienced profound success, the operating environment we face has changed since the early days of the Goldwater Nichols Act. In response, the DOD is refining our strategic plan for joint officer management, education and training, and is using the ongoing, congressionally-mandated, Independent Study of Joint Management and Education to help evaluate and validate how we best meet the challenges of the early 21st century.

We look forward to working with Congress in strengthening joint management and training. As a modest start, we are proposing several administrative reforms to simplify and streamline processes and program requirements: modifying the definition of a "tour of duty" to count multiple consecutive joint tours as one continuous tour; modifying annual reporting requirements by adding more meaningful metrics for measuring joint compliance; allowing the accomplishment of Phase II Joint Professional Military Education (JPME) in less than 3 months; and making permanent the joint promotions policy objective for the "other joint" category, which includes Joint Staff Officers (JSOs), to greater than or equal to the service board average.

The DOD is assessing the entire career continuum of officer education and training, including joint requirements, with the goal of reducing the amount of in-residence time required, maximizing viable advanced distributed learning (ADL) opportunities, and integrating joint requirements. We want to train and develop our lead-

ers like we fight—in a joint environment, and we are moving quickly to match policy to today's operational environment. We seek Congress' assistance in making these changes in law that might be necessary to support those common objectives.

Personnel Management Support

Today, management of our military personnel is hindered by numerous redundant and disconnected systems that do not support streamlined business processes. The DOD has taken on the task of developing a single, fully integrated military personnel and pay management system. The Defense Integrated Military Human Resources System (DIMHRS) will provide an end-to-end, integrated personnel and pay system for all military services, including their active, Reserve, and National Guard components. As the cornerstone for military personnel transformation, DIMHRS is the vehicle for enabling reengineered business processes, replacing inefficient and failing systems, reducing data collection burdens, and, most importantly, ensuring timely and accurate access to compensation and benefits for all soldiers, sailors, airmen, and marines. We view this system as critical to providing quality of life support to our service members and their families as well as streamlining personnel and pay management for the Services and providing essential management data to all levels of the DOD.

DIMHRS is being built on a commercial off-the-shelf (COTS) platform with full support and participation from all military components and the Defense Finance and Accounting Service. We are managing requirements and ensuring that the system will implement common business rules and common data across the DOD. This system is an investment in our infrastructure that will enable us to track personnel as they mobilize, deploy, and redeploy while ensuring that all service members have a complete record of service that ensures that they will receive all benefits to which they are entitled. We appreciate your support for this effort.

Building a Foreign Language Capability

Lessons from current operations and the global war on terrorism have demonstrated the need for increased language ability and accompanying area knowledge within our Armed Forces, and an increased emphasis on languages reflective of the post-Cold War threat.

We need to change the way foreign language expertise is valued, developed and employed within the DOD, and language needs to be viewed as a military readiness capability. For present and future operations, we need members of the Armed Forces who can understand and communicate in languages other than English. This includes service members with language ability more sophisticated than that routinely achieved through our current language training and public and private education systems. We need a way to equip deploying forces with a sufficient ability to communicate in the language of the land. We also need a plan for surging capability beyond that of the military forces, when required. We need service members and leaders who understand the complexities of languages and cultures in a global society.

Much work needs to be done in this area, and we have engaged a number of studies to inform our decisions. We have already initiated the development and employment of crash courses for troops deploying to Iraq. The Army is executing a pilot IRR program that targets the enlistment of Arabic speakers for support as linguists.

With over 1,300 faculty and 3,800 students, the Defense Foreign Language Institute's Foreign Language Center (DLIFLC) is the world's largest foreign language school—and our primary source of language instruction. An oft-quoted statistic is that DLIFLC has more faculty teaching DOD's five highest enrollment languages than all U.S. students graduating in those languages nationwide. It is an institution whose product—a language qualified graduate—is critical to global U.S. military operations. Our first area of emphasis is to ensure that this school house can support our language capability requirements.

Our fiscal year 2005 goal is to ensure the center can meet critical requirements by teaching basic language to troops prior to deployment, to improving training development, and to improving the capability to produce linguists with an advanced degree of language competence.

Rest and Recuperation (R&R) Leave

Over 50,000 service members and DOD civilians have participated in the R&R Leave Program in support of OIF and OEF. The R&R Leave Program is vital to maintaining combat readiness when units are deployed and engaged in intense operations. Feedback from service members participating in the R&R Leave Program indicates it is a successful program offering service members a respite from hostile conditions, an opportunity to leave the area of responsibility (AOR), release stress, spend time with their family/friends, and return reenergized. R&R leave will con-

tinue to be offered to military members and DOD civilians deployed in central command (CENTCOM) AOR in support of the global war on terror at the discretion of the theater commander.

Citizenship

The DOD is working closely with the Department of Homeland Security's Citizenship and Immigration Service (CIS) to expedite citizenship applications for immigrants who serve honorably as members of our Armed Forces. Approximately 37,000 active duty and Reserve personnel are non-U.S. citizens and approximately 7,000 of these personnel have applied for U.S. citizenship. The CIS established a special office in their Nebraska Processing Center to expedite military member citizenship applications. Section 329 of 8 U.S.C. provided an exception where the President can authorize immigrants serving in the U.S. Armed Forces during times of conflict to apply for citizenship after 3 years of honorable service. Public Law 108–87 reduced this waiting period to 1 year. The average time for processing expedited citizenship applications has been reduced from 9 months to approximately 90 days. The military services are informing non-U.S. citizen military members of the opportunity for expedited citizenship through radio and television, press releases and periodic messages through command, personnel, legal and public affairs channels. However, finalizing citizenship requirements for military members overseas has been problematic. We are working with the CIS to expand authority for conducting naturalization interviews and swearing-in ceremonies overseas. In the meantime, the DOD authorizes emergency leave for service members who need to complete citizenship processing, and seeks to identify members with pending citizenship applications in order to ensure they are processed and finalized before they deploy.

Sexual Assault

Sexual assault will not be tolerated in the DOD—that message is clear throughout the chain of command. It is a crime that is punishable under the Uniform Code of Military Justice (UCMJ). Commanders at every level have a duty to take appropriate steps to prevent it, to protect victims, and hold those who commit such offenses accountable.

Each of the Services has sexual assault policies for the health care support of victims. This support is available to service members both in the United States, at overseas duty stations, and in the current deployment theater.

Last summer the Fowler Panel, an independent panel, investigated allegations of sexual misconduct at the Air Force Academy. Their report made recommendations with a single priority in mind: the safety and well-being of the women at the Air Force Academy. Air Force senior leaders are implementing those recommendations now. In addition, the Defense Task Force on Sexual Harassment and Military Service Academies will assess and make recommendations, including any recommended changes in law, relating to sexual harassment and violence at the United States Military and Naval Academies.

However, prevention through education, review, and reinforcement of what constitutes sexual assault and related crimes, and their consequences is key. Development and sustainment of working environments that instill trust among all members must begin at the lowest level of leadership and continue to the top of the Department. My Deputy Assistant Secretary of Defense for Force Health Protection and Readiness, Ellen Embrey, now leads a SECDEF-appointed task force to ensure proper command climate and infrastructure support is in place to safeguard the victims of sexual assault.

Domestic Violence/Victims Advocacy

As with sexual assault, domestic violence will not be tolerated in the DOD. It is an offense against our institutional values and commanders at every level have a duty to take appropriate steps to prevent it, protect victims, and hold those who commit them accountable.

The DOD continues to make significant progress in addressing the issue of domestic violence within military families. We remain committed to implementing the recommendations made by the Defense Task Force on Domestic Violence and have made major strides toward that goal. Our efforts encompass a range of activities including legislative and policy change, training for key players in our efforts to prevent and effectively respond to domestic violence, and collaboration with civilian organizations.

We worked closely with Congress last spring and summer to create or change legislation pertaining to transitional compensation for victims of abuse, shipment of household goods for abused family members, and a fatality review in each fatality known or suspected to have resulted from domestic violence or child abuse. These

changes are reflected in the National Defense Authorization Act (NDAA) for Fiscal Year 2004.

The DOD has partnered with the Office on Violence Against Women of the Department of Justice (DOJ) for several joint initiatives that include training for law enforcement personnel, victim advocates, chaplains, and fatality review team members. As a part of our collaboration with the DOJ, we are conducting demonstration projects in two communities near large military installations. The goal of the projects is to develop a coordinated community response to domestic violence focusing on enhancing victim services and developing special law enforcement and prosecution units. We know that military and civilian collaboration is critical to an effective response to domestic violence since the majority of military members and their families live off the installations.

The DOD partnered with the Battered Women's Justice Project and the National Domestic Violence Hotline to conduct training for the Hotline staff to provide information about the military to enhance Hotline staffs' ability to assist military related victims who contact the Hotline. We are also working with the Family Violence Prevention Fund to develop a comprehensive domestic violence public awareness campaign that will be disseminated throughout the DOD.

We have initiated implementation of 45 of the nearly 200 task force recommendations, focusing on recommendations pertaining to victim safety and advocacy, command education, and training key players who prevent and respond to domestic violence such as law enforcement personnel, health care personnel, victim advocates, and chaplains.

We are pleased with the progress we have made but realize there is more work to be done. We are working to ensure that the policies we implement are viable across all Services both in the continental United States and overseas, and minimize the possibility of unintended consequences that compromise the safety of domestic violence victims and their children. We collaborate closely with those who will be responsible for implementing the policies we write to maximize their effectiveness across the Department.

ENTITLEMENTS GROWTH

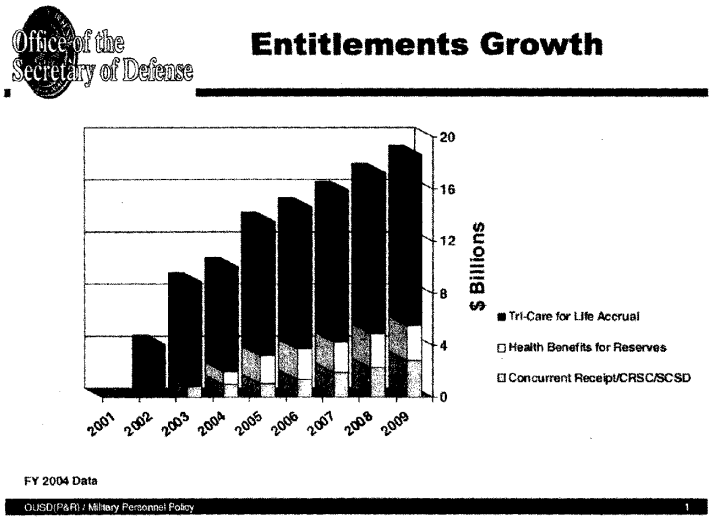
Military Compensation

Sound compensation practices are essential to attracting and retaining the caliber of individuals needed for a robust All-Volunteer Force. With the support of Congress, we have made great progress over the last few years in improving our members' basic pay. Since fiscal year 2000, basic pay has increased 29 percent. It is particularly noteworthy that mid-grade noncommissioned officers, who represent the core of experience and talent in our military services, have seen their pay increase an average of 35 percent.

Likewise, we applaud Congress' continued support for reducing military members' out-of-pocket housing costs, which stood at nearly 18 percent in fiscal year 2000. Through Basic Allowance for Housing increases during each of the past few fiscal years, we will achieve our goal of totally eliminating average out-of-pocket housing costs with this year's President's budget.

To capitalize on our successes in recruiting and retention and sustain that momentum, we must continue to invest in items that leverage readiness. Authorities for flexible compensation tools enable the DOD to tailor incentives to respond to specific readiness demands and provide the capacity to efficiently start and stop them. For example, we are seeking an increase in the ceiling for Hardship Duty Pay, which will furnish the DOD with the ability to compensate appropriately members who are repeatedly deployed away from their families and placed in harm's way in support of contingency operations. Additionally, increased use of the recent Assignment Incentive Pay authority will provide a viable means of incentivizing hard-to-fill duty stations, such as Korea and other remote locations, which directly impacts unit readiness in a positive way.

Conversely, we discourage the expansion of entitlements and the creation of new ones that do not leverage readiness. For example, TRICARE for non-active reservists and their families could have a long-term fixed cost of $1 billion annually with little payoff in readiness. The phase-in of concurrent receipt for retirees with at least a 50-percent disability and expansion of the Combat-Related Special Compensation program, while not directly reflected in the Department's budget, will cost $6.1 billion a year within 10 years ($4.1 billion from the DOD retirement fund and $1.5 billion from the Department of Veterans' Affairs (VA) entitlements), funds that could potentially be applied to areas that better address national security needs. The chart below illustrates the growth in the cost of recent new entitlements since 2000, projected out to 2010.



This year, we understand Congress may be considering additional expansions of entitlements programs, such as lowering the age Reserve retirees receive their annuity from 60 to 55. Preliminary, rough estimates indicate that this could cost $6.6 billion in payments, nearly $4 billion in added health care costs, and $14 billion in Treasury outlays over the next 10 years. Yet, we have no evidence this would help shape the force or improve readiness; most reservists who would immediately benefit are already retired. Proposals to eliminate the reduction in survivor benefits that takes place at age 62, from 55 percent to 35 percent of military retired pay, when social security provides the difference, could cost $800 million the first year and exceed $1 billion per year within 5 years. A 5-year phase-in has been scored by Congressional Budget Office (CBO) to cost $7 billion over 10 years. The phase-in of concurrent receipt, if expanded to full concurrent receipt, would equal $8.4 billion a year within 10 years (almost 40 percent greater than the newly-passed benefits).

More long-term entitlements are not the answer to our readiness issues. We need flexible compensation and benefit authorities that can focus benefits to support members deployed to a theater of hostilities, as well as their families, and can be terminated when no longer necessary. We firmly believe authorities of the type that leverage readiness best serve the national defense.

The recent temporary increases in the rates of Imminent Danger Pay (IDP) and Family Separation Allowance (FSA) have certainly been beneficial to our deployed forces, but cost us over $200 million annually in payments to members not in Iraq or Afghanistan—especially the increase in FSA. We would prefer to use more flexible compensation tools that allow us tailor incentives to respond to specific readiness demands and provide the capacity to efficiently start and stop them. But, we also do not want to propose anything that would cut the pay of members serving in harms way. While we do not yet have a specific proposal for you pertaining to IDP and FSA, we do believe the increase in IDP is probably not unreasonable. But the 150-percent increase in FSA is excessive, especially considering it is payable worldwide, including in the United States. We would probably prefer to see a smaller increase, with some form of grandfather at the current rate for anyone already receiving that rate. We plan to have a specific proposal ready in the near future.

Payments to Disabled Retirees

While the DOD does not favor further expansion of the concurrent receipt related entitlements, we do take very seriously our obligation to fully implement the programs Congress recently established for our disabled retirees. In November 2003, the NDAA for Fiscal Year 2004 provided for a 10-year phase-in of concurrent receipt for retirees with at least a 50 percent VA disability rating, effective January 1, 2004. Those rated 100 percent disabled would receive $750 a month in the first year. On February 2, we made initial payments to over 144,000 eligible retirees,

representing over 90 percent of all those eligible. Those who were not paid have records that require manual computations due to exclusions for part of their military disability retired pay, garnishments, or divisions of retired pay with former spouses. Nonetheless, when determined, all their payments will be retroactive to the 1st of the year.

Much more complicated is the 1-year-old Combat-Related Special Compensation (CRSC) program. To comply with the law in this program, the DOD must make what are often complex determinations of the source of a disability using decades old, often incomplete, paper records provided by the retiree or the Department of Veterans' Affairs. We have been continually adding resources to accomplish this mission and now have about 100 people working full-time reviewing records and managing the CRSC program. To date, we have received nearly 42,700 applications for CRSC, reviewed over 44 percent of them, and approved 10,400. We anticipate tens of thousands of new applications following the November expansion of the program, but will soon be ready to accept and process them. Again, no matter when received or approved, CRSC payments will be retroactive to applicable program effective date, with back payments made in the first check or payment.

CONCLUSION

In conclusion, Mr. Chairman, let me emphasize that everywhere I go on my visits to military communities, and to visit troops who are deployed, I hear of the tremendous value for these programs and benefits. In today's world, when we ask so much of our service members and their families, it is of paramount importance to provide the support they require. I thank you and the members of this subcommittee for your own outstanding and continuing support of the military personnel community.

Senator CHAMBLISS. Thank you very much. Dr. Winkenwerder, welcome, and we look forward to hearing from you.

STATEMENT OF HON. WILLIAM WINKENWERDER, JR., ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS

Dr. WINKENWERDER. Thank you, Mr. Chairman. Distinguished members of the subcommittee, thank you for the opportunity to discuss the DOD military health system. Over the past year, the military health system has performed superbly on all fronts, supporting operations in Iraq and Afghanistan, ensuring troop readiness, supporting our activated guardsmen and reservists and their families, and we've also awarded a whole new suite of TRICARE contracts. There's been significant progress in all areas.

Despite serving in some of the most austere environments on earth, our disease and non-battle injury rates among our deployed personnel are the lowest ever and the lowest really that we're able to determine in military history. The Services have improved medical screening to ensure that our forces are healthy and fit to deploy and they've increased emphasis on theater surveillance, allowing the commanders and the medics to identify and then mitigate risks.

The Services evaluate all members today pre- and post-deployment, and permanent health records are maintained. I have some good news with regard to our returning service members thus far. Over 90 percent of 300,000 re-deploying service members who have come back so far have reported that their health is either good, very good, or excellent. I think that's good news.

In January, we initiated a quality assurance program to monitor Service health assessment programs, including some periodic visits to the bases to assess program compliance. We continue to immunize troops from diseases and agents that could be used as biological weapons, such as anthrax and smallpox. Vaccines against these threats are based on sound scientific principles and they're verified

by outside experts. To date, we've vaccinated more than 1 million service members against anthrax and about 580,000 against smallpox.

Ensuring medical readiness of activated reservists and providing full coverage for their families is among our highest priorities. As we proceed—and I'm pleased to talk about this issue further, as I know you have an interest in it—I believe we must carefully review the cost of providing increased entitlements and benefits to reservists who have not been activated and perhaps look at a limited demonstration to test the program's feasibility and the assumptions that some have about what the beneficial impact may be.

To support combat operations in Iraq and Afghanistan, medical care was deployed far forward, available in many instances just within minutes of injury. Over 98 percent of casualties who arrived at medical care survived their injuries, and one-third of those returned to duty within 72 hours.

Far-forward medical care, improved personal protection, and operational risk management techniques are saving lives. For those seriously ill or injured, we rapidly evacuate them to definitive care and use intensive care teams to treat patients during transit, including in the back of C–130s. Specialized treatment programs are available at our larger medical centers, like Walter Reed and Bethesda. Walter Reed has a world-class amputee management program.

Mental health is integral and is very important to overall health, and the Services have full mental health service programs at home and in support of our deployed service members. These include prevention—suicide prevention and stress management programs that are supported by the leadership and that are tailored to the particular environment.

Increased pre-deployment screening has created a backlog of activated reservists who are waiting for clearance to deploy. The Army has worked aggressively to reduce this backlog, and the number of troops in that status is declining.

The DOD has approved the transition of care for service members to the Department of Veterans' Affairs (VA). VA counselors today advise the seriously injured or those that are really ill on benefits, disability ratings, and claims processing before the member is discharged from the hospital. DOD and VA share health information electronically and we've implemented the first stage of our computerized electronic health record, and we're pursuing full interoperability between our record system and the VA's.

One recent initiative that we've undertaken to better support our families is in the area of obstetrical and newborn care. Childbirth is a special time for families and it's critical that we in the military embrace the unique requirements of our beneficiaries. Our health care personnel, we believe, know first-hand about the special aspects of military life, including the mentioned challenges of family separations. We want to be our beneficiaries' first choice for health care, and it starts at birth.

To improve TRICARE, we've reduced the number of TRICARE regions from 11 to 3, and the number of contracts from 7 to 3. Beneficiaries, as we implement these new contracts over the next 6 to 8 months, we believe will realize improved access to care, bet-

ter customer service, and enhanced quality. We've markedly improved our claims processing and now enjoy industry-leading performance. In 2003, we processed over 104 million medical claims. That's a lot of claims. Ninety-nine percent of those were processed within 30 days.

A new TRICARE governance plan will streamline management and enhance customer service. We strengthened our direct care system, operated by the uniformed medics and our purchased care partnerships, by increasing flexibility and interoperability. Three new TRICARE regional directors will integrate the military direct care system and the civilian networks to ensure better beneficiary support.

We're employing another new position, what we're calling the senior market manager in a local area, for example, like here in the National Capital area, to optimize the integration of service across the Army, Navy, and the Air Force facilities.

The DOD actively monitors the quality of care within the military system. It helps us to use a series of metrics and measures and data and benchmarks from the industry, and I'm pleased to say that we performed very well in many areas, and we're working hard to improve in all areas.

Defense health program costs continue to rise. In 2003, we experienced a 7-percent increase in new users and we expect the same this year in 2004. The growth is the result of increased use of TRICARE by our eligible beneficiaries. To fund this growth, our fiscal year 2005 budget is 15 percent more than this year. The costs of the Medicare-Eligible Retiree Health Care Fund, which pays for the TRICARE For Life benefit, are not reflected in this request, nor is the funding for the global war on terrorism.

We need your help in restoring flexibility to manage our Defense health resources. With the new contracts and the implementation of a prospective payment system, we need flexibility to move funds between the direct care system and the private sector care system. Currently, for the military treatment facility, what are called revised financing funds are in the private sector budget.

Requiring that we obtain re-programming limits our flexibility, so we appreciate Congress' intent and desire to protect the military facility funding. However, the current restrictions are having an adverse effect. We urge that you allow us to manage the Defense health program as an integrated system so that funds can flow on a timely basis to where the care is needed.

Let me just close by saying I've been on the job now for 2½ years and I've had the opportunity to visit military medical units worldwide. I'm extremely proud of the men and women who serve their country in the military health system. They're courageous, dedicated, and caring professionals whose talents, in my judgement, are second to none. They're America's best and I'm proud to serve with them.

The initiatives I've outlined focus on quality, effectiveness, and satisfaction. They ensure readiness while providing a valued benefit. With your support, we'll continue to offer world-class health care to the men and women serving in our military. Thank you, and I'd be happy to answer any of your questions.

[The prepared statement of Dr. Winkenwerder follows:]

PREPARED STATEMENT BY HON. WILLIAM WINKENWERDER, JR.

Senator Chambliss, Senator Nelson, distinguished members of the subcommittee, I am honored to have this opportunity to discuss with you the Military Health System (MHS). Military medical personnel have superbly supported military operations in Afghanistan, Iraq, and elsewhere. We have awarded a full suite of new TRICARE contracts, extended our sharing and cooperative efforts with other Federal agencies, and continued to provide quality healthcare to our 8.9 million beneficiaries. Using the balanced scorecard approach to strategic planning, we have focused on readiness, effectiveness of our health plan and patient satisfaction with access to care.

MILITARY HEALTH SYSTEM FUNDING

Before describing our activities, I would like to address our funding situation and highlight initiatives to manage costs. Defense Health Program (DHP) costs continue to rise due to increased utilization of the MHS. The fiscal year 2005 DHP funding request is $17.640 billion for operation and maintenance (O&M), procurement, and research, development, test, and evaluation (RDT&E) appropriations to finance the MHS mission. We project total military health spending to pay for all health-related costs including personnel expenses, and retiree health costs, to be $30.4 billion for fiscal year 2005. In 2003, the DHP experienced a 7-percent increase in new users, and we anticipate another 7 percent growth for 2004. This growth is the result of increased health care costs in the private sector, and the consequent election of MHS-eligible beneficiaries, mainly our retirees, to drop private insurance coverage and rely upon TRICARE. Additionally, activation of Reserve component members adds to the number of MHS-eligible beneficiaries. To fund this growth, the O&M appropriation submission is 15 percent more than the fiscal year 2004 appropriated amount.

The DOD has taken several actions to better manage resources. The MHS is implementing performance-based budgeting, focusing on the value of services delivered rather than using other cost methods. We are introducing an integrated pharmacy benefits program that uses a standardized formulary that is clinically and fiscally sound. Federal pricing of pharmaceuticals in the TRICARE retail pharmacy program will significantly contain costs. Quality management programs continue to ensure that care provided is clinically appropriate and within prescribed standards.

Performance-based budgeting

With this budgeting approach, we intend to base military treatment facility (MTF) budgets on output or work-related factors such as the number of enrollees, hospital admissions, prescriptions filled, and clinic visits, rather than on anticipated requirements such as number of staff employed, increased supply costs, and historical workload. We will institute a Prospective Payment System for MTFs with capitation payments for their enrollees. We will also include a fee-for-service funding mechanism for MTFs that is tied to the value of care provided for beneficiaries not enrolled at their facility.

Integrated pharmacy benefits program

The redesign of our pharmacy programs into a single, integrated program, beginning in June 2004, simplifies and allows us to more effectively manage this $4 billion benefit. We will standardize formulary management, achieve uniform access to all medications, enhance portability, and involve beneficiaries in formulary decision-making. We will promote the use of more cost-effective products and points of service. Application of Federal pricing for the retail pharmacy benefit will allow the Department to obtain manufacturer refunds for medications obtained through this point of service. We currently use Federal pricing for mail order and MTF pharmacy services.

Quality management programs

We continue to improve the quality of care delivered throughout the MHS, employing sound management practices and metrics to ensure appropriateness of care. We monitor the health of our population using Healthy People 2010 goals as a benchmark, and we measure the quality of care provided using Joint Commission on Accreditation of Healthcare Organizations Oryx indicators.

Our new health care contracts use best-practice principles to improve beneficiary satisfaction and control private sector costs. Civilian partners must manage enrollee healthcare and can control their costs by referring more care to MTFs. In concert with these new contracts, and the implementation of the Prospective Payment System to create financial incentives for MTFs, we need the flexibility to flow funds between MTFs and the private sector. Currently, MTF revised financing funds are in the private sector budget activity group. Restricting the movement of DHP funds

does not allow MTFs to use these revised financing funds to increase productivity and workload without prior-approval reprogramming. We appreciate the congressional intent to protect direct care funding. However, the current restrictions on funding adversely affect MTFs as well as care in the private sector. We urge you to allow MTFs and the MHS to manage the DHP as an integrated system. Funds must be allowed to flow on a timely basis to where care is delivered. We need your help in restoring flexibility needed to manage DHP resources across budget activity groups.

FORCE HEALTH PROTECTION

The Department of Defense's (DOD) Force Health Protection program is designed to preserve and protect the health and fitness of our service members from the time they enter the service until their separation or retirement. The Services have utilized preventive health measures, environmental surveillance, and advances in military medicine to support military operations worldwide. Despite deployments to some of the most austere environments imaginable, observed disease non-battle injury and illness rates remain the lowest in modern military history. This is the result of increased screening, line commitment and service member education.

Health assessments

We ensure a healthy force by applying high medical standards at accession, conducting periodic medical and dental examinations and health assessments, providing required immunizations, and providing high quality health care when needed. Learning from the Gulf War, our policy now requires that before and after deployment service members receive health assessments to ensure health readiness and to identify and capture any health issues upon their return. Records are maintained in the individual's permanent health record and an electronic copy of the post-deployment health assessment is archived for easy retrieval. We have started an aggressive quality assurance program to monitor conduct of these health assessments.

Besides conducting a pre-deployment health assessment, deploying personnel are provided required personal protective and medical equipment, serum samples are obtained, dental readiness is determined and health briefings are conducted.

We use post-deployment health assessments to gather information from deployed service members and assist medical personnel evaluate health concerns or problems that may be related to deployment. Individual discussions with licensed health care providers help to determine the need for more detailed medical follow up care. Blood samples are collected within 30 days of redeployment and are retained in the DOD Serum Repository. Post-deployment health assessments and deployment health records are maintained in the permanent health record, which is available to the Department of Veterans' Affairs (VA) upon the service member's separation from the military.

In January, I established a deployment health quality assurance program. The Defense Medical Surveillance System (DMSS) provides periodic reports on centralized pre- and post-deployment health assessment programs, as well as reports on service-specific deployment health quality assurance programs, and includes periodic visits to military installations to assess program compliance. DMSS maintains a centralized database of deployment health assessments. DMSS provides weekly reports on post-deployment health assessments and monthly reports on pre-deployment health assessments. Post-deployment reports include data on service members' health status, medical problems, mental health and exposure concerns, blood samples, and referrals for post-deployment care. Over 90 percent of the 300,000 redeploying service members have reported their health status as good, very good, or excellent.

Immunization programs

Immunizations offer protection from endemic disease, as well as from agents that could be used as biological weapons, including anthrax and smallpox. Vaccines against these disease threats are highly effective. Our programs are based on sound scientific information and verified by independent experts. They are essential to keep our service members protected. The DOD has succeeded in protecting many hundreds of thousands of service members against two deadly infections—anthrax and smallpox. We protected over a million service members against anthrax, and over 580,000 personnel have received the smallpox vaccination.

The National Academy of Sciences' Institute of Medicine, in a congressionally-mandated report, concluded that anthrax vaccine is both safe and effective to protect humans against all forms of anthrax. Those receiving the vaccine commonly experience some local discomfort, such as redness, itching or swelling; these reactions are comparable to those observed with other vaccines. On December 30, 2003, the

Food and Drug Administration (FDA) issued a final rule and order for a number of products, including anthrax vaccine. They concluded, "the licensed anthrax vaccine is safe and effective for the prevention of anthrax disease, regardless of the route of exposure."

Like the anthrax vaccine, the smallpox vaccine is fully licensed by the FDA and is safe and effective. However, there are more risks associated with administration of the smallpox vaccine. By carefully screening recipients with known risk factors, we have kept serious adverse effects well below the number anticipated when the vaccination program began. The Centers for Disease Control and Prevention (CDCP) tracks possible reactions to these and other vaccines through the Vaccine Adverse Event Reporting System (VAERS), which is co-sponsored by the FDA. The DOD encourages all service members to report any reactions to VAERS. Like all vaccines, most adverse events noted with smallpox vaccine are minor and temporary. Serious events, such as those requiring hospitalization, are extremely rare.

Combat casualty care

For military operations in Afghanistan and Iraq, medical care was deployed far forward, available within minutes of injury. Based on our current analysis, over 98 percent of those wounded have survived, and one-third returned to duty within 72 hours. It is clear that far forward medical care, improved personal protection, and operational risk management techniques continue to save lives. For Operation Iraqi Freedom (OIF), the rate of non-combat disease or injury is lower than in any previous U.S. conflict.

Mental health care is an integral part of the MHS, and we have programs in place to identify and support service members and families with special needs. The military services have a full range of mental health services available for deployed personnel, including suicide prevention programs sponsored by the Service leadership and tailored to operational environments. Each Service has a program to ease the return and reintegration of deployed service members to families and life at home.

For service members sustaining serious injury or illness, the MHS can rapidly evacuate them to definitive care. Our aeromedical evacuation system has advanced to the point that specialized teams can accompany and treat patients during transit to the next level of care. In the United States, two of our premier medical centers, Walter Reed Army Medical Center and the National Naval Medical Center, provide service members extraordinary care. Walter Reed operates the U.S. Army Amputee Patient Care Program, featuring a highly skilled multi-disciplinary staff and first-of-its-kind technology. In association with the VA, this program strives to return patients to pre-injury performance levels. Walter Reed is one of two sites worldwide that is fitting patients with the Utah33 arm, a technology that permits simultaneous motion for the elbow and wrist. It is the only facility fitting patients with a fast sensor hand that automatically maintains consistent hand pressure. Many soldiers with above-the-knee amputations receive the C-leg, a device containing a computerized chip to analyze motion 50 times per second, making ambulation on stairs possible.

Medical technology on the battlefield

Last year we introduced elements of the Theater Medical Information Program (TMIP) and Joint Medical Workstation for OIF. These capabilities enable medical units to electronically capture and disseminate near real-time surveillance information to commanders. Information provided includes in-theater medical data, environmental hazard identification and exposure data, and critical logistics data such as blood supply, hospital bed and equipment availability. TMIP, through the Joint Medical Workstation, links care in theater with the sustaining base using interoperable data collection tools. This system serves as the medical component of the Global Combat Support System.

New medical devices introduced during OIF provided field medics with enhanced blood-clotting capability, and light, modular diagnostic equipment for use by far-forward medical forces. Advanced personal protective gear prevents injuries and is saving lives.

Medical hold

One consequence of improved pre- and post-deployment health assessment screening is the identification of service members medically unqualified for deployment, or even military service. This has generated additional Medical Evaluation Board processing workload, and resulted in large numbers of service members awaiting healthcare and specialty consultations at mobilization sites. The Army has acted to alleviate this backlog, and has significantly reduced the numbers of individuals in this category. We remain committed to deploying healthy and fit service members

and to providing consistent, accurate post-deployment health evaluations with appropriate, expeditious follow-up care when needed.

Individual medical readiness.

Among the performance measures we track is the individual medical readiness status of all service members. For the first time, the MHS has a common tool to track individual medical readiness metrics for health and dental assessments, immunizations, laboratory tests, required medical equipment and limiting medical conditions. This tool allows unit commanders to monitor the readiness of their members and units.

Transition to VA Care

After returning from deployment, service members may receive care by military or VA providers. Service members referred for a Physical Evaluation Board attend the Disability Transition Assistance Program, where VA counselors advise on benefits, disability ratings and claim processing procedures. Members voluntarily separating and not referred to a Physical Evaluation Board receive mandatory pre-separation counseling through the Transition Assistance Management Program, receiving briefings on VA benefits and availability of VA health care services.

We achieved a significant advance in our efforts toward a seamless transition with the establishment of the Federal Health Information Exchange. This exchange transfers electronic health information on separating service members to the VA. Currently, we provide the VA laboratory results, outpatient pharmacy data, radiology results, discharge summaries, demographics admission, disposition and transfer information, allergy information and consultation results. We are on still on track to have two-way real time exchange of electronic health information with the VA by the end of fiscal year 2005. In addition, we have created integration points, with VA, that will permit VA to access the Defense Enrollment and Eligibility Reporting System (DEERS) in real time by the end of 2005.

BIOLOGICAL, CHEMICAL AND NUCLEAR WARFARE MEDICAL COUNTERMEASURES

Announced last year, Project Bioshield calls for identification and procurement of medical countermeasures to weapons of mass destruction (WMD). With the Departments of Health and Human Services and Homeland Security, we are actively developing a national priority for medical countermeasures to biological, chemical, and nuclear threats. This national priority will allow the U.S. Government to attract industry to develop and manufacture needed medical WMD countermeasures. The work collaboratively done on anthrax and smallpox is a start, but the effort is more comprehensive. Future work will include additional medical countermeasures.

DOD–VA PARTNERSHIP

We have successfully shared healthcare resources with the VA for 20 years, but opportunities remain. We recently introduced a common national billing rate for our sharing agreements, greatly simplifying administrative processes. In 2003, the President's Task Force to Improve Health Care Delivery for our Nation's veterans outlined a broad and substantive agenda to foster greater collaboration. We have already taken action on a number of recommendations. We initiated a joint strategic planning process, began sharing medical information electronically, identified additional joint contracting opportunities, and included the VA in the development of the Request for Proposal for the Next Generation of TRICARE Contracts. Greater collaboration on capital planning and facility life-cycle management will benefit beneficiaries and taxpayers alike.

We have initiated seven demonstration projects at seven sites with the VA. These demonstrations entail budget and financial management, coordinated staffing and assignments, and sharing of medical information and information technologies. Our joint Health Executive Committee approved the following sites for these demonstrations:

- Budget and Financial Management
  - VA Pacific Islands Health Care System—Tripler Army Medical Center
  - Alaska VA Health Care System—Elmendorf Air Force Base, 3rd Medical Group
- Coordinated Staffing and Assignment
  - Augusta VA Health Care System—Eisenhower Army Medical Center
  - Hampton VA Medical Center—Langley Air Force Base, 1st Medical Group
- Medical Information and Information Technology

- Puget Sound VA Health Care System—Madigan Army Medical Center
- El Paso VA Health Care System—William Beaumont Army Medical Center
- South Texas VA Health Care System—Wilford Hall Air Force Medical Center and Brooke Army Medical Center

TRICARE—THE MILITARY HEALTH PLAN

We have embarked on a comprehensive transformation for how we will organize, manage and motivate our health delivery system to better serve our beneficiaries. Our goal remains constant; providing accessible, quality health care that fosters patient satisfaction with all aspects of their health care. Highlights of this transformation include family centered care, patient safety, health plan governance, and new TRICARE contracts.

Family-centered care

To improve satisfaction with the MHS, we introduced family centered care this year, focusing on obstetrical and newborn care. Using beneficiary input, we revised maternal and newborn services in our military medical facilities to enhance emotional well-being, privacy and personal preferences. This program respects family and cultural beliefs and offers treatment choices including pain management, and testing options before, during and after childbirth. We encourage families to participate in the birth experience. Childbirth is a special time for the family. Unfortunately, many service members are not available to participate in this experience. We believe it is critical that the MHS accommodates the unique requirements of our service members and their families. Our health care personnel know first-hand about the separation aspects of military life. We want to be our beneficiaries' first choice for health care and it starts at birth.

Patient safety

We place a high priority on patient safety, and remain committed to providing all resources to prevent medical errors and ensure patient safety. Our Patient Safety Center collects and analyzes safety data from military medical facilities and advises the Patient Safety Executive Council, chaired by the Deputy Assistant Secretary of Defense for Clinical Programs and Policy. Our safety record is strong, and we intend to be a model for other health care systems.

Governance

The new TRICARE organizational structure will streamline health care management and enhance efficiency, productivity and customer service. This restructuring strengthens the partnership between the direct care system and our purchased care contractors by providing more flexibility and interoperability in the MHS. Three TRICARE Regional Directors will integrate military treatment facilities and civilian networks to ensure support to local commanders and oversee regional performance.

We increased medical commander responsibilities and accountability for their local health care markets. Commanders will be directly responsible for all health care services and support provided to their patients, including patient appointing, utilization management, the use of civilian providers in military hospitals and clinics (i.e., resource sharing providers), and other local services. We will have 13 multi-MTF markets with Service-assigned senior market managers to effectively use available resources.

The central management effort in TRICARE will be to establish and then manage toward objectives set in annual business plans; plans developed locally and then built into service and regional plans. The new Regional Directors have a key role in improving provider participation in TRICARE, and in improving TRICARE Standard support. Gaining beneficiary support and satisfying their health care needs serve as the objectives for which the TRICARE contracts and organization are designed.

TRICARE Contracts

The first step in redesigning TRICARE was to simplify. We reduced the number of TRICARE regions from 11 to 3, and reduced the number of contracts from 7 to 3. With these new contracts, beneficiaries will realize improved access to care, better customer service and enhanced quality of care. Current and future contractors have committed to smoothly transition every aspect of their responsibilities while maintaining the highest standard of care and service. The DOD remains committed to keeping beneficiaries informed throughout this transition.

We have "carved out" major elements of the current TRICARE contracts into separate entities. These new contracts leverage the expertise resident in companies

whose core competency is pharmacy management, claims processing and marketing. We have established national contracts that improve management and beneficiary satisfaction.

Pharmacy management

An integrated pharmacy benefits program brings consistency to our military, mail-order, and retail pharmacies. It uses a uniform formulary that is clinically appropriate, cost-effective, and developed with beneficiary input. This integrated program allows Federal pricing of pharmaceuticals for our retail program, allows better management and improves beneficiary satisfaction by making it easier to obtain prescriptions while traveling.

Claims processing

We have markedly improved claims processing performance and now lead the industry in all measures. During 2003, we processed 104.6 million claims, with over 99 percent of clean claims processed within 30 days. Only 1 percent of claims cannot be processed and are returned for correction; the industry experience for returned claims frequently exceeds 25 percent. Audits of processed claims show that errors remain below 2 percent for payment and 3 percent for other errors. This compares favorably with published rates for managed care carriers that range from 6 percent to over 30 percent. The claims processing "carve out" will focus on those claims submitted by our senior beneficiaries as supplemental to Medicare in the TRICARE for Life program. Establishing a single claims processor for dually eligible Medicare-TRICARE patients adds consistency and enhances beneficiary satisfaction.

Marketing

A consistent approach through a national suite of marketing and educational materials will bring clarity and consistency to the TRICARE messages. Materials development will involve beneficiaries, research of current trends and analysis of past approaches. Materials will include beneficiary and provider handbooks, briefings, brochures, health and wellness pamphlets, newsletters, and bulletins. Regional content is included and templates are created to allow for local modification.

TRICARE Standard improvements

To better assist beneficiaries who choose to use the TRICARE Standard option, we recently updated our online provider directory, streamlining search capabilities and adding questions and answers. We have emphasized the need for accuracy and reliability of provider information and customer satisfaction in the new TRICARE contracts. Based on congressional direction last year to better serve TRICARE Standard beneficiaries, we have initiated provider surveys and outreach assistance to these beneficiaries. The Regional Director will have the responsibility to ensure that TRICARE works for Standard beneficiaries in the region.

RESERVE HEALTH BENEFITS

In addition to the enhanced benefits the DOD offered to activated Reserve component members and their families during 2003, the fiscal year 2004 DOD Supplemental Appropriations Act and the National Defense Authorization Act (NDAA) for Fiscal Year 2004 included additional benefits. Assuring the medical readiness of reservists when called to active duty is among our highest priorities. Providing support to families of activated Reserve component personnel is vitally important especially in the sponsor's transition to and from active duty. As the DOD proceeds in this area, we must carefully review the cost of providing increased entitlements and benefits to Reserve component personnel who have not been activated—perhaps through a limited demonstration program to test feasibility and effectiveness. A key issue would be the effect of a new entitlement on recruitment, retention, and medical readiness of both Reserve and active duty members.

INFORMATION TECHNOLOGY

The MHS continues to introduce state-of-the-art information technology solutions and products to our health care team worldwide. Some of these solutions—the Pharmacy Data Transaction Service and the Defense Medical Logistics Support System (DMLSS) to name two, have received national awards for the application of technology in support of medical readiness and patient safety.

This year we will introduce globally the Composite Health Care System II (CHCS II), the military electronic health record. After years in design, development and testing, we are embarking on one of the most comprehensive technology deployments ever undertaken by a health care system. By the end of 2005, we will have completed this implementation. CHCS II represents a quantum leap in our ability

to collect, retrieve, and analyze patient data. Clinical applications of CHCS II will populate the TMIP in battlefield versions. Clinical information will be sent to CHCS II and stored in the DOD Clinical Data Repository. CHCS II met the eight functions determined by the Institute of Medicine to be essential to enhance safety, quality, and efficiency of health care delivery. It ensures health information continuity and patient-centered delivery, and is an industry leader. This system will vastly improve the quality and efficiency of care, and support medical and line commanders.

Another enhancement to health care delivery is TRICARE Online, our enterprise-wide, secure online medical portal for use by DOD beneficiaries, providers, and managers to access available health care services, benefits and information. This Health Information Portability and Accountability Act (HIPAA) compliant tool provides beneficiaries with a communication system for appointment scheduling, access to 18 million pages of quality medical information, interactive health tools, and administrative information on our medical facilities and providers. Future capabilities will include pharmacy refill and renewal, appointment reminders, an ability to request routine tests, structured provider to patient messaging, and more. TRICARE Online has received the Government Solution Center's 2003 Excellence in Government Pioneer Award for Best Practice Application and the International Association of Business Communicators' Silver Inkwell Award honoring the industry's best in strategic communication.

Mr. Chairman, distinguished members of the subcommittee, you have graciously allowed me to outline many of the programs and activities currently under way in the MHS. I would like to take a moment to tell you about the men and women who accomplish the mission of the MHS. I've been on the job now for 2½ half years, and I have had the opportunity to visit military medical units across the United States, Europe, Southeast and Southwest Asia, and at sea. I am extremely proud of the military and civilian men and women in the MHS who serve their country. They are courageous, dedicated, exemplary professionals whose talents are second to none. They are America's best, and I am proud to serve with them.

Health care is a key quality of life issue for our service members and their families. We believe that with many of our new initiatives focused on our patients, on quality and effectiveness, and on ensuring readiness that we offer a valued health care benefit. With your support, we will continue to offer the uniformed men and women of the United States world-class health care. Thank you.

Senator CHAMBLISS. Gentlemen, thank both of you very much. Secretary Abell, let me start with you. Senator Nelson and I, along with Senator Dodd and Senator Alexander, have been conducting some hearings around the country relative to educating our military children and making sure that the needs of the families of deployed men and women are being taken care of.

I'm very interested in the DOD's ongoing review of DOD schools. As you probably know, I have several DOD schools in my State. I have seven at Fort Benning alone. Last October, Fort Benning held a town hall meeting to discuss the future of the base schools where over 1,000 parents of military children attended. The overwhelming preference of those parents is that the base schools should remain open.

Also, I recently learned of a survey issued to the parents of students of Fort Benning schools, the results of which were sent to your office, and I understand DOD is going to be making decisions relative to the future status of DOD schools this summer.

I appreciate the fact that this is a difficult issue for the Department. I guess one could argue that educating young children is not a mission of the DOD. But I know that you're sensitive and compassionate and that you probably agree with me that military children and military families have a very unique need that is not shared by the civilian population, and for this reason it makes sense that military children should be educated in their own environment under a system managed by DOD.

Now, I'd like for you to tell me a little about the content and purpose of this survey, the one at Fort Benning. I assume it was a

standardized survey that was used in other parts of the country. I'd like you to provide a copy of that survey for the record, and I'd also like your assurance that you will keep Senator Nelson, myself, and other members of this subcommittee advised of the ongoing thought process as you proceed towards making some decisions regarding DOD schools this summer.

Mr. ABELL. To the last point, first, Senator, I certainly will.

[The information referred to follows:]

As the results of the study in question have not yet been made available, the Department is not able to address Senator Chambliss' question at this time.

To date, no decision has been made to make any changes to the 58 schools involved in the study. The study currently is being reviewed by the Deputy Under Secretary of Defense for Military Community and Family Policy.

Any decisions regarding the future of the schools will be made on the basis of the most deliberate, thoughtful consideration of all the data collected. Decisions will be made on an individual school basis.

Notification of any changes would be provided at least one school year or more before any change(s) become effective. No specific timetable has been established for reaching the final decision. Congress, military commands, and military and civilian communities will be fully informed.

When the requested information becomes available, the Department will share that information as requested.

To allay some concerns, I don't believe we're even close to finalizing this review and having a decision. The packages have not even to my understanding come—I know they're not in my office yet. I'm not even sure they're in the Pentagon yet.

We did undertake a two-part study. One was a facilities study where we sent some engineers out to look at our facilities and determine what their conditions are and what it would take to bring them to the various codes. The second part was a study that looked at the curriculum of our schools and compared it to the curriculum of the schools outside the base. That was led by a University of Massachusetts team, and they assembled a bunch of educators to do that for us.

This was the first study. There have been a number of studies of the DOD schools, as you might imagine, over the years. This was the first one that looked at school systems individually, base by base, as opposed to looking at the entire thing.

I have no preconceived outcomes for this, but clearly one of the questions that we would hope this would address is, is this the right thing to do today or should we be addressing this need another way? One of the things that concerns me is that only about a third of our people live on base and our schools only serve those families who live on base, so we are providing this benefit, if you will, to one-third of our population while two-thirds of our population get their education in the local community.

So one of the questions we'll get answered is, can we help improve the education of our base and the entire community, or should we continue as we're going or should we try some yet undetermined alternative beyond that?

If nothing else comes out of this study, we have an excellent road map of what the facilities need as far as improvements, not only for the physical plant but also to get them up to the point where we have world-class education facilities.

I know that there is a lot of emotion out there. I think our families view this review with suspicion, that we wouldn't do it if we

didn't intend to do something untoward. As I said, I have no preconceived outcome here. Once we get it, once we pore through the information, we'll certainly talk to you, we'll talk to the families before we make any decision.

Senator CHAMBLISS. Just for your benefit I will tell you one thing that did come out of our series of hearings. Particularly with the most recent conflict in Iraq where we had embedded reporters and families were sitting around TV sets at night watching in some instances their loved ones being engaged in combat on their TV screens, those situations where children were in military schools being taught sometimes by civilians, sometimes by military personnel or spouses of military personnel, were able to adapt much better. They were surrounded by other kids who were in the same position they were, or at least had similar experiences over the years with their parents being deployed. The teachers were also able to deal with the needs of those kids in a much better way, and there was sure a lot of security among the parents of those children at those DOD schools.

I want to ask you to comment on the testimony submitted by Senator Daschle and Senator Graham a little bit earlier relative to additional benefits for guardsmen and reservists, particularly regarding the retirement reduction rate, as well as the availability of health care. Could you give us your thoughts relative to that?

Mr. ABELL. Yes, sir. Let me start with the comment that reservists should receive the same suite of benefits. I couldn't agree more with that. When our Reserve or National Guard members are serving on active duty, they can and should have the same suite of benefits as the active duty person who is serving alongside them.

The question then comes to what we should provide to that reservist when he or she is not serving on active duty. During those periods they are back home working in their civilian jobs and training on the weekends or during the summer with us. That's a more difficult question in my book. Anything that we can do, and certainly some of the things that you provided last year in title VII of the National Defense Authorization Act (NDAA), anything that leads to improved readiness of our Reserve Forces I think you'll see us strongly support.

When it comes to providing health care for those who are in a non-activated status, those who have not even been alerted for active status, I think, as Dr. Winkenwerder mentioned in his opening statement, we'd like an opportunity to see how that works and understand more about that. That is a complex benefit package. It is complex to administer, and it's complex to discover what the driving factors are that influence the behavior of our soldiers and their families.

So what we would appreciate is an opportunity to continue that benefit as a demonstration project for a couple of years, providing the benefit, but providing it in a setting where we can measure the outcomes and the expenses and the return on investment. It may be exactly the right thing we need to do, but at this point I don't think any of us can pronounce that.

Senator CHAMBLISS. Dr. Winkenwerder, we applaud the quality of health care that's given to our men and women in the Service. I think we've assembled a very significant corps of men and women

who are providing those medical services, particularly as we engage in conflicts like we have been in Iraq for the last several months.

What can you tell us regarding the recruiting as well as the retention of medical suppliers, particularly physicians who have to deal with the type of trauma that battle brings about? Are we still recruiting the numbers of quality individuals that we need or are we having difficulty there?

Dr. WINKENWERDER. Senator, we are. We're doing fine on that front. We continue to access young, aspiring young physicians through our health professions scholarship program, in which people obtain an obligation after having their medical school paid for, and the same is true with residency.

We, of course, are supported through our direct care system by a very broad system of contracted community health care, and that is something that we bring into play. For example, in the recent call-ups of deployments where we had medical personnel deploying forward, we backfilled some of those people with reservists or moved people from other locations, but we also had people utilize the excellent TRICARE network.

So I think the way our system is constructed now gives us great flexibility, but the bottom line is, we're doing fine as far as recruiting and retaining really good people.

Senator CHAMBLISS. Okay. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman. Secretary Abell, in response to a question about military voting at our hearing on Tuesday, Dr. Chu testified that the military voter would be in a much better position during this presidential election because of the emphasis on the voting assistance officer. But last March, the DOD Inspector General (IG) reported that the Services' voting assistance programs for the November 2002 Federal elections had many of the same deficiencies that were identified during the 2000 election.

These problems included lack of training for voter assistance officers, lack of awareness of voting assistance resources, and too large a span of control for voting assistance officers. Has the Department addressed the problems identified by the DOD IG? Second, what is the DOD going to do to ensure that military voters will have a meaningful opportunity to be a part of and influence the upcoming Federal election?

Mr. ABELL. Yes, sir. Sir, we have placed enormous emphasis on the voter assistance program. You have correctly identified the critical node in that whole thing, and that is the voting assistance officer. It is a collateral duty out in the units. It is the farthest point from our reach in the Pentagon, and we have spent a lot of time and energy and money producing training materials and forcing them out there to the voting assistance officers.

We have urged commanders to select their better officers to be the voting assistance officers, as opposed to how it was when I served many years ago where it was the junior officer, and sometimes the weakest junior officer, who had that collateral duty.

So we have placed a lot of emphasis on it. The NDAA requires that if one is assigned the duties of voting assistance officer, that their performance in that particular function be made a part of their fitness report, and we are doing that.

We have pushed out the materials both in paper copies, on CDs, and through the Internet to all of these folks. Our goal is that every soldier, sailor, airman, marine, and family member overseas who's eligible to vote is handed a ballot application. It then becomes the individual's choice and option as to whether to fill that out and send it in, but our assignment that we've given to the voting officer is to educate their folks and to personally hand every eligible voter an application.

Much like the way the DOD schools help deployed parents, we have also asked the DOD schools to, as a part of their normal civics programs, emphasize voting, to bring the voting assistance officers in and give little talks. We hope that when Johnny and Mary go home, they ask Mom and Dad, are you going to vote this year? Again, that's another way that we hope to get to this.

It's our goal to have everyone vote and every vote counted.

Senator BEN NELSON. Thank you. The service members in our military clearly expect that we're going to do everything we can to ensure that their sons and daughters receive a quality education wherever they happen to be stationed, and in your prepared statement you inform us that the DOD has initiated a partnership with the Military Impacted Schools Association (MISA) to sponsor the National Conference for the Military Child to highlight the best practices for public school and military leaders.

I'm a big supporter of the MISA, and I commend you for working closely with them. I think together you can do an excellent job.

Can you tell us a little bit more about what your partnership with MISA and the National Conference for the Military Child might be about?

Mr. ABELL. We do a lot of sharing of good ideas and best practices. We also do a lot of work to try and get the local school systems to appreciate and understand the special challenges that military children face as they move around so much. We're concerned about things like whether or not the State history of that particular State should have to account for their graduation requirements, if they took a State history class in one State, move in their senior year, those kinds of things.

We found the States to be very understanding, very cooperative, and we found this forum to be a great place to surface that and discuss those issues and look for reciprocity in those kinds of things.

Senator BEN NELSON. Do you think that the military's apparent decision not to transfer personnel quite as often as they've been transferred in the past might make a difference on transferability and stability as well?

Mr. ABELL. Senator, the benefits of that program are huge in so many different ways. It certainly helps in the education of our children. We hope that now spouses can have careers, not jobs. We also think that they will be more integrated into the community. Hopefully if they're going to be there longer they would find the opportunity to buy a home and begin to build the equity that is part of the American dream.

But in addition, that network of folks begins to get stronger and stronger the longer they stay together, so the benefits from a more stable basing plan we think are just huge.

Senator BEN NELSON. Well, it seems to me in the past that transplanting and uprooting have been about the same thing, so I appreciate that wisdom. One final question, Mr. Secretary. In your prepared statement, you indicate that approximately 37,000 active duty and Reserve personnel are non-U.S. citizens and approximately 7,000 of these have applied for U.S. citizenship.

We understand that the Department is working to expedite citizenship applications of those who serve honorably. In support of this, the Citizen and Immigration Service has established a special office in their Nebraska processing center to expedite applications of military members, and my office has received a press inquiry suggesting that up to 16,000 of these members may not have been lawfully admitted to the United States for permanent residence, most of them in the Army and Navy.

Do you know whether we have a substantial number of members who were enlisted for military service even though they weren't lawfully admitted to the United States? I suspect it's an "oops" or something like that. Is it something that we should be concerned about?

Mr. ABELL. I don't know how many, if any. I'm not naive enough to say it's zero. There might be folks serving who may have presented false documents. They are required to show that they are resident aliens, but we don't have a way at this point of checking the validity of that.

Now, we are working with the Immigration and Naturalization Service (INS) to have a computerized check at the military entrance processing station where we can get an almost instant feedback in that case, and it is, as with many things in government, two incompatible databases, and we're trying to reconcile the interface there. We hope to get that fixed.

Senator BEN NELSON. Well, without criticizing the military, as you might imagine, the INS prosecutes private employers who fall for those falsified documents, but I suspect there must be some sort of compatibility and courtesy between the branches of the Federal Government when it comes to our military. If you could get some information to me, I would appreciate it.

[The information referred to follows:]

Question. Are there many illegal aliens serving in the military?

Answer. Individuals must show proof of citizenship or resident alien status to legally enlist in the U.S. Armed Forces. In addition, background checks are conducted on all recruits to check for criminal history or evidence of immoral or unethical character. If someone fraudulently enlists, they are subject to disciplinary and administrative action and discharge. If they are determined to be an illegal alien, they are subject to deportation proceedings.

Question. Are there 16,000 persons of unknown citizenship serving in the U.S. military?

Answer. The Defense Manpower Data Center (DMDC) reflected "unknown" for 16,012 mostly Army and Navy personnel in the citizenship data element of their military personnel database. However, this was caused by data entry procedural errors and does not mean they were allowed to enlist without validating their citizenship status. DMDC is working with the Services to correct the citizenship data entries for these personnel.

Mr. ABELL. Yes, sir.

Senator BEN NELSON. Thank you very much. Thank you, Mr. Chairman.

Senator CHAMBLISS. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman. Dr. Winkenwerder, I'd like to ask you a few questions about health care-related issues if I may, and I'd like to focus on the Reserve component. I know that years ago when we were trying to determine how we could best serve military retirees and eligible family members 65 and older, Congress authorized a number of demonstration projects. These demonstration projects were instrumental in crafting the more comprehensive and permanent TRICARE for life legislation that was enacted in 2001.

With that in mind, I'd like to hear your thoughts on whether there's value in establishing some demonstration projects to determine the feasibility and effectiveness of how we can provide health care coverage to our Reserve component.

Dr. WINKENWERDER. Thank you for the chance to address that question, because I think this is an important issue and we need to think carefully about how we move forward. If I might, I would like to just give a status update on where we are in implementing the provisions that Congress passed.

Last fall, Congress passed a provision allowing our Reserve community to do screening medical and dental exams, and I'm pleased to say that it has been implemented. It is being implemented now. There are service members, reservists, who are receiving medical and dental screenings, according to our Reserve chiefs, who I spoke with just this week.

Second, on the 704 provision, which was extending health insurance coverage after the period of active duty for a period of 6 months, we've issued policy on that and implementation on that provision is imminent, and that means within days we'll be into an implementation on that.

The pre-deployment, where we extend the coverage prior to deployment, is a bit more complex because we have to identify people who are alerted but not yet active, and getting them into the system and identifying them from the Reserve community is more complex. But our implementation on that we believe is nearing, so hopefully it will only be a matter of weeks.

The aspect of providing insurance coverage now, to get to your question, and I apologize for covering the other ones, about extending health insurance to the uninsured or unemployed is a far more complex issue, and I just want to touch on that. I've worked in the health insurance industry in the private sector. Typically, when a health insurance company implements a new benefit for a large population of people, it takes 12 to 18 months because of all the complexity.

So I know there's an urgency on moving forward on this benefit, but I just want to caution that it usually takes quite a while to identify all the issues. In our case, there are some system issues, that is, being able to identify who these individuals are and then get them into our personnel system.

Second, it requires contract modifications with all of our managed care contractors. The challenge for us on that front is that, as I mentioned earlier, we're transitioning all of our TRICARE contracts this year, starting in June through November. So if we were to issue contracts to be able to care for these inactive reservists without health insurance and to make the changes that are re-

quired, we'd have to ask our contractors to do that and then 2 months later to disband that as the new contracts go into place.

So we have a lot of challenges. Now, because the law has the funding for this ending at the end of this year, it is, in my judgement, going to make it really difficult for us to come to some understanding, as Secretary Abell said, on what the impact of this is, and I think that's one reason we believe it would be very helpful to be able study this and to actually look at the impact on recruitment, retention, and readiness.

For those reasons, we think this really requires a careful look, and we could envision a demonstration that would involve thousands or tens of thousands of people to answer those questions.

Senator PRYOR. I guess what you're saying is you think one or a set of demonstration projects does have value in allowing us to determine the best route to take on this?

Dr. WINKENWERDER. Yes, I do.

Senator PRYOR. Now, regarding your answer a minute ago, are you trying to tell the subcommittee here that this is so complex that you're not going to be able to get it done this year?

Dr. WINKENWERDER. We're moving as quickly as we can.

Senator PRYOR. I'm not trying to put words in your mouth, but you laid out a number of obstacles to actually getting it done and actually getting it down to the people that Congress intended it to go to. Do you have concerns that you won't be able to get it done this year?

Dr. WINKENWERDER. We are working as quickly as we can, but I do have concerns that people's expectations are very high that this is something that's easy to do, and it is not. As I said, it typically takes much longer than just 3 or 4 months to implement something like this, and so I would be hopeful that if we were to start something on a more limited basis, it would allow us to get started sooner. So that, in my judgement, along with the fact that we're working within this $400 million cap overall, that's the other things that creates another obstacle. We want to move forward, we are moving forward, but I want to be realistic.

Senator PRYOR. Mr. Chairman, given that answer, I must tell you I now have concerns we're not going to get it done this year. It is complex and it's something that clearly Congress wants to get done in a bipartisan, non-political way. In fact, in Arkansas, I believe about 40 percent of our Guard and Reserve are actually activated right now, coming out, or on notice that they will be activated.

When I've been down at Fort Hood, Texas, and Fort Polk, Louisiana, watching the 39th Infantry Brigade doing their training—they're about to go to Iraq here in the next few days—they're excited about this prospect of having access to TRICARE. The leadership there, the generals and the other folks there that I talked to told me story after story of a number of soldiers, many soldiers who just weren't ready and couldn't go because of dental or other medical problems that they had.

This is a readiness issue, I think, for this subcommittee, for the full committee, and really for all of Congress. I want to continue to work with you to make sure that we get this done, and if you want to come in and recommend a demonstration project or a se-

ries of them, I'm certainly open to listening to that. I'll tell you, I think I can speak for Congress in saying that we want to see this happen, and we're very serious about it.

Dr. WINKENWERDER. Well, I very much appreciate your thoughts and views on this and we do want to work with you and appreciate that offer. I think it's important for the record to just share a somewhat different perspective about the issue of readiness than Senator Graham did, because we follow these statistics now, and the statistics I have suggest that the number of people that are not medically ready on the medical front, we'll leave aside the dental, but it's more in the low single digits, in the 2 to 4 percent range.

So I think it would be a mistaken view if we left here today thinking that we have a major problem with medical readiness among our reservists. They are generally pretty healthy. It can be better.

I want to share with you something we're doing to create accountability, which I think helps. It is called the individual medical readiness metric, and it's a set of measures that both active and Reserve units are now to be accountable for and have to submit their performance on a monthly basis. I'm getting reports that tell us—and it's really a commander's tool—just how ready their people are, and so the individual has some responsibility in this and so does the unit commander, whether it's a Reserve unit or an active unit.

But we think this will help, along with being able to do the 701 provision, being able to do the medical and dental screenings. These two things together should really help a lot. They may not do everything we want, but we are optimistic that they will help quite a lot.

Senator PRYOR. You mentioned that the number of reservists not ready for medical clearance is in the low single digits. What about dental?

Dr. WINKENWERDER. Dental is not as good.

Senator PRYOR. Right.

Dr. WINKENWERDER. That is probably the main problem among the reservists, though I will say that, for example, in the statistics I have here for you today, among Navy personnel it is at 74 percent, Air Force 66 percent, and Air Guard 88 percent. We have lower numbers in the Army.

Senator PRYOR. What's the Army number?

Dr. WINKENWERDER. Forty-four.

Senator PRYOR. You mean 44, only 44——

Dr. WINKENWERDER. Meet the dental—in other words, one or two, that means fully ready. So a fair number need some dental work. Now, the irony is that we have dental insurance that is offered that people can buy into. Unfortunately, I guess it's just the pain of going to the dentist. A lot of people just don't like to go to the dentist.

Senator PRYOR. I would like to ask about dental insurance. Is that available to all Reserve and Guard?

Dr. WINKENWERDER. Yes, I believe it is.

Mr. ABELL. Yes, sir.

Senator PRYOR. Is that just part of the standard package they have access to?

Mr. ABELL. Yes, sir.

Dr. WINKENWERDER. It's really inexpensive, actually.

Mr. ABELL. It is not free. There is a premium attached to it.

Senator PRYOR. We'll check into that. That's good to know about. What about the—I lost my train of thought there thinking about the dental—but how do your numbers with Reserve and Guard compare with the active duty population? To me, looking at those two sets of soldiers is—the comparison may be informative because obviously one set has access to TRICARE, the other didn't and maybe still doesn't, but what are——

Dr. WINKENWERDER. We'll get those numbers for you. I brought the Reserve with me today. I just didn't attach the statement on the active, but we'd be glad to share those with you.

[The information referred to follows:]

Individual Medical Readiness (IMR) Metrics

By the end of Fiscal Year 2004, the Service databases for the six elements of Individual Medical Readiness (IMR) shall be populated with data for the Total Force. The elements include: Dental Class, Immunizations, Laboratory, Deployment Limiting Conditions, Health Assessment, and Individual Medical Equipment.
Data Source: Service IMR Databases **Report Frequency:** Quarterly

Terms and Conditions:
IMR metrics and goals are newly established for Fiscal Year 2004 and therefore have no previous track record. OSD (HA) Policy for IMR was established in May 2003 and the Service execution policies are nearing completion. In order for an individual to be medically ready the requirements in each element of the metric must be complete and timely. The intent is to provide four categories to assess the medical readiness of an individual: 1) Fully Medically Ready-all six categories complete, 2) Medically Ready with minimal intervention, 3) Unknown (No data), 4) Not Medically Ready. (Figure 1) The methodology explaining the metric "roll up" process is identified at Figure 2.

Fully medically ready	Immunizations current
	Dental Class 1 or 2
	Current med readiness labs
	No deployment limiting condition
	Current Health Assessment
	Medical Equipment Current
Medically ready with minimal intervention	Needs immunization
	Needs medical readiness lab
	Needs medical equipment
Unknown	Health Assessment overdue
	Dental Class 4
Not Medically Ready	Dental Class 3
	Deployment prohibiting condition
	Hospital inpatient or convalescing

Figure 1

IMR Active Component

Perspective	Readiness
Objective Owner	Ms. Embrey, LTG Peake
Measure Leader	Col Cunningham

%	Army	Navy	AF	USMC
Dental Class 1 or 2	88	44	96	53
Immunizations	38	0	90	0
Medical Readiness Labs	34	TBD	96	TBD
Deployment Limiting conditions	97	NA	94	NA
Health Assessment	75	TBD	94	TBD
Medical Equipment	19	TBD	-	TBD
% Met All 6 Criteria	7.9			
% Fully Medically Ready (estimated)			70	

Data Incomplete

Performance Analysis:
Status of services central databases
Percent of personnel fully medically ready

Target:
FY 03 = 4/6 databases >80% completion, 50% personnel fully medically ready
FY 04 = All databases > 80% completion, 75% personnel fully medically ready
FY 05 = Revise targets

Measures Definition:
•**Purpose:** Determine IMR
•**Data Source:** Services
•**Frequency:** Quarterly
•**Calculation method:** Percentage

Strategic Objective:
This objective includes the total force: active, Guard and Reserve. This objective includes the responsibility on the part of the MHS to translate science into quality medical policy that is embraced by the force commanders and individuals within the armed forces. This objective acknowledges we are not the parties responsible for delivering a fit and healthy, medically protected force. There are individual and command responsibilities; however, we will do our part to enhance force protection.

3
Mar 04

IMR Reserve Component

Perspective	Readiness
Objective Owner	Ms. Embrey, LTG Peake
Measure Leader	Col Cunningham

%	Army	Navy	AF	Marine	Air Guard	Army Guard
Dental Class 1 or 2	51	76	65	-	90	48
Immunizations	27	87	38	-	71	27
Medical Readiness Labs	27	84	87	-	83	53
Deployment Limiting conditions	98	95	95	-	94	96
Health Assessment	52	90	84	-	73	94
Medical Equipment	8	Not Req	-	-	-	22
% Met All 6 Criteria	3	24				7
% Fully Medically Ready (estimated)			38	70	49	

Data Incomplete

Performance Analysis:
Status of services central databases
Percent of personnel fully medically ready

Target:
FY 03 = 4/6 database >80% completion, 50% personnel fully medically ready
FY 04 = All databases >80% completion, 75% personnel fully medically ready
FY 05 = Revise targets

Measures Definition:
•**Purpose:** Determine IMR
•**Data Source:** Services
•**Frequency:** Quarterly
•**Calculation method:** Percentage

Strategic Objective:
This objective includes the total force: active, Guard and Reserve. This objective includes the responsibility on the part of the MHS to translate science into quality medical policy that is embraced by the force commanders and individuals within the armed forces. This objective acknowledges we are not the parties responsible for delivering a fit and healthy, medically protected force. There are individual and command responsibilities; however, we will do our part to enhance force protection.

4
Mar 04

Figure 2

It's close. They're not miles and miles apart.

Senator PRYOR. Okay.

Dr. WINKENWERDER. Our goal, Senator, is that they're the same.

Senator PRYOR. Right.

Dr. WINKENWERDER. It really needs to be the same and that's the whole idea.

Senator PRYOR. Senator Chambliss, I have a number of other questions and I'd like to just submit those for the record if that's okay with you, except for one last one, because I know it's near and dear to both of our hearts given the two States that we represent. I'd like to ask about TRICARE access out in remote areas of the country, and I know we both get comments, e-mails, letters, et

cetera, from our constituents who have trouble with access generally, and certainly that's true for TRICARE.

So I was curious if you had a plan or an approach that you're going to take to try to make TRICARE more accessible to these folks who live out in rural and remote areas?

Dr. WINKENWERDER. Yes, sir, we do have a plan for that. With respect to our reservists, there is a new provision that's called—and I believe it applies to the active duty as well—TRICARE prime remote for active duty and family members. It allows them to continue to receive medical services in remote areas now and not have to change their physician.

To the question of broader networks and more providers, we've been giving that some careful thought and I have some ideas on that. I'm not prepared to share those publicly today, but we have some ideas about how we might be able to significantly increase our networks to include more physicians.

We don't have a problem, we believe, on the hospital side, hospital participation, but we would like more physicians to participate and we have some thoughts about that, and I hope to be able to share those with you very soon.

Senator PRYOR. Mr. Chairman, with your permission, I'll just submit the rest for the record.

Senator CHAMBLISS. Certainly.

Secretary Abell, I have one other question. The NDAA for Fiscal Year 2004 directed the SECDEF to conduct a study to determine the adequacy of death benefits for survivors of deceased members of the Armed Forces. As you're aware, there's great concern in our committee that the existing structure of benefits, including the death gratuity, service members' group life insurance, and the survivor benefit plans sufficiently provide for the widows and children of those members who are killed or disabled as a result of their military service.

A study was due on March 1, and obviously we haven't received it. When can we expect that? Have you reached any conclusions about the comparability of existing military death benefits with commercial and other private sector death benefit plans?

Mr. ABELL. To your first question, Senator, my current estimate is that we will have it to you by the end of the month, by March 31. I regret that it wasn't done by March 1. As to the conclusions, I have not seen the study that's been produced yet. It again has not entered the Pentagon, so I don't know of anything, but the suite of things we were asked to examine is quite extensive, as you've described some of them.

So I'm looking forward to seeing it, but I'll get it to you by the end of the month.

[The information referred to follows:]

SAG CORPORATION

Review of Military Death Benefits
Final Report

20 April 2004

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Richard Parodi
Mark Dye

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Executive Summary

The Principal Deputy Undersecretary of Defense (Personnel & Readiness) contracted with SAG Corporation to conduct an independent review that assesses the relative value and sufficiency of death benefits provided to survivors of members of the Uniformed Services. The requirement for this report stemmed from the Conference Report on the FY 2004 national Defense Authorization Act. Congress particularly expressed concern that

- the government of the United States properly recognize the significant sacrifice entailed in the loss of life by members;
- the death benefits offered to civilian victims of terrorism may outstrip those offered to military members who are also victims of terrorism;
- the death benefits offered to military members have not kept pace with benefits offered by other employers; and
- Servicemembers' Group Life Insurance (SGLI) requires members to pay premiums and does not provide a guaranteed minimum benefit (participation in SGLI is voluntary).

The study employs a functional categorization of death benefits to compare benefits across military and civilian occupations. Death benefits offer to survivors the following:

- immediate income assistance
- transition assistance
- income replacement
- unpaid compensation
- recognition of sacrifice/employer liability

Using this taxonomy, the report provides an overview of current military benefits and contrasts them with employer-provided death benefits for other occupations. The report next addresses alternative policy options to bring military death benefits more in line with those benefits received by other occupations, where those benefits were considered more appropriate for the sacrifice involved. The report concludes with recommendations for improvements to the military death benefits system and provides estimated costs for those changes.

Overview of Current Military Benefits

Survivors of members who die on active duty are eligible for a wide variety of survivor benefits. These benefits include immediate assistance to help survivors through the initial period following death and in their transition to civilian life and a combination of lump-sum and annuity cash benefits that help replace the income lost through the member's death.

One aspect of the military benefits system is fundamentally different than the benefits approach employed by all of the other employers that we examined. All active-duty deaths are considered to occur in the line of duty, and survivors are eligible for the same set of benefits regardless of the cause of death.

Immediate Income Assistance

Survivors receive a tax-free death gratuity of $12,000, reimbursement for funeral and burial expenses, and a lump-sum Social Security benefit of $255.

Transition Assistance

Beginning with the assignment of a Casualty Assistance Officer who helps the survivors through the period immediately following a member's death, the military provides a number of different types of transition assistance. These include counseling services, a variety of tax benefits, medical and dental coverage, reimbursement for a final move, and transitional housing and commissary/exchange benefits.

A full-time staff with representatives at each installation provides casualty assistance for the Air Force. Officers in the other Services provide this assistance as a collateral duty.

Income Replacement

DoD provides income replacement in the form of Survivor Benefit Plan (SBP) annuities (calculated as if the member had retired with a 100% disability on the day he or she died), and offers voluntary participation in the Servicemember's Group Life Insurance Program (SGLI). Participation in SGLI is nearly universal, and virtually all participants are enrolled at the maximum coverage level ($250,000). In addition to DoD benefits, survivors may receive Dependency and Indemnity Compensation (DIC) and educational benefits from the Department of Veterans Affairs. Survivors are also eligible for death benefit annuities through the Social Security Program.

Unpaid Compensation

Survivors receive all pay owed to the member at the time of death. This includes compensation for unused leave and lump-sum payment of any remaining anniversary payments for bonuses or incentive pays.

Recognition of Sacrifice/Employer Liability

DoD does not provide any benefits specifically tied to deaths that occur as a proximate result of the member's job. All active-duty deaths are considered to have occurred in the line of duty.

Overview of Employer-Provided Death Benefits

In this study we look at survivor benefits provided to

- Federal civilian employees
- law enforcement officers
- firefighters
- commercial aircrews
- private-sector employees
- Canadian and British military members

Benefits are more generous for survivors of public-sector employees than for private-sector employees in most cases. All of the employee groups in the study received additional benefits for deaths in the line of duty.

Line-of-duty death benefits are most generous for law-enforcement officers and firefighters, largely because of the Public Safety Officer Benefit (PSOB) provided by the Federal government. Although other survivor benefits for these workers vary according to the state in which they live and across individual employers, the PSOB is a substantial lump-sum award that is not offset for any other benefits received by the survivors.

Another survivor benefit that is nearly universal across the groups that we surveyed is employer-funded life insurance. Typical coverage includes a basic policy for which the employer pays and the option for supplemental coverage at the employee's expense. Most life insurance benefits are indexed as a proportion of the employee's salary.

Evaluation of Military Benefits

Military survivor benefits differ fundamentally from the benefits offered by other employers. The military's benefit system treats all active-duty deaths as line-of-duty deaths. For example, the survivors of a member who dies in hostile action are eligible for the same benefits as the survivors of a member who dies from an illness. None of the other groups we survey provide a uniform level of benefits.

Other key differences include a greater emphasis on transition assistance in the military. We find that this is probably a reasonable difference given the unique aspects of military service for the member and the member's immediate family. This assistance is necessary to help the military family successfully transition to a civilian lifestyle.

Most other employers' cash benefits are indexed in some manner to adjust for changes in general price levels or wages. Many military benefits are as well, but we note two exceptions – SGLI coverage and the death gratuity. Both benefits require a change in law to increase coverage; the result has been extended periods in which the benefit level has eroded in real terms, followed by substantial increases in order to catch up.

We use a hypothetical example to illustrate differences in benefits across the surveyed groups. Our illustration shows that military cash benefits are comparable to other employers' total cash benefits in the case of a line-of-duty death. One exception is the level of benefits for law-enforcement officers and firefighters. In our example, the survivors of a law-enforcement officer killed in the line of duty receive cash benefits (annuity and lump sum) with a present value equal to roughly 21 times the officer's salary at the time of death. Survivors of a military officer and an enlisted member killed in the same situation would receive cash benefits worth about ten times and sixteen times Basic Pay, respectively. Other employers provide line-of-duty benefit levels comparable to the military benefits.

A second example highlights the key difference between military death benefits and other employers' benefits. In a situation that other employers would not consider a line-of-duty death,

the military benefits remain unchanged, but benefits for most other employees are cut in half. Benefits for the law-enforcement officer's survivors fall by about seventy percent.

Alternative Policy Options

We examine five areas in which military death benefits may be changed:

- a separate, automatic benefit that recognizes the inherent danger and sacrifice of a military career (similar to the PSOB provided to law-enforcement officers and firefighters)
- indexing of cash benefits to the military wage level
- automatic coverage of all members under SGLI at no member cost
- changes to the SBP program, including the offset for DIC payments, the reduction in annuity at age 62, and conversion to SBP Child coverage if a surviving spouse remarries
- dedicated casualty assistance resources

Each option provides potentially beneficial changes to the current Military Survivor Death Benefits system, along with increased taxpayer costs.

Congress established the PSOB because of the hazardous nature of law-enforcement and firefighting jobs and to signify the value that the American people place on that work. A similar benefit would extend that recognition to military members. The main arguments against such a benefit are that the current level of benefits is already adequate; the cost of the program could be tremendous in the case of a major conflict; and the administrative costs of establishing a system for adjudicating claims would be substantial.

Indexing SGLI coverage and the death gratuity to changes in Basic Pay would avoid the need for periodic, large increases in benefits levels and the erosion in benefits in the intervening periods.

The military is one of the few employers who provide no life insurance coverage for employees. The SGLI program is only subsidized to the extent that the Services assume the risks of higher-than-average death rates due to hostile or terrorist actions. One way to address this difference is to provide a basic level of SGLI coverage to all members at no cost. We estimate the costs of either $50,000 or $100,000 coverage at no member cost. The maximum coverage ($250,000) would remain unchanged.

We examine three potential changes to the SBP program. The first is elimination of the DIC offset. The argument in favor of this proposal is that SBP and DIC are different programs providing benefits for different reasons. The chief argument against the proposal is that both DIC and SBP provide a disability annuity to survivors and would therefore constitute dual compensation.

The second SBP proposal eliminates the reduction in SBP annuity from 55% of the pension to 35% of the pension at age 62. Arguments in favor of this change include the rationale that retirees and survivors have paid for the survivor benefit and that it is irrelevant that survivors

are also eligible for other benefits (e.g., Social Security). We find, however, that the offset is consistent with other employer's policies, although other benefits plans may provide surviving spouses with a supplemental annuity prior to normal retirement age, rather than characterizing the change as a reduction in benefits.

The third alternative for SBP is to address what appears to be an oversight in the current law governing spouse and child annuities. For retirees, SBP can revert from the surviving spouse to dependent children if the surviving spouse dies or remarries. For members who die on active duty, the SBP will revert only if the surviving spouse dies.

Finally, we discuss the advantages of establishing dedicated casualty assistance positions to provide full-time, nationwide access for all survivors. We find no evidence of survivor dissatisfaction with the current level of casualty assistance; however, a dedicated casualty assistance staff would ensure that resources are available regardless of survivor relocation and would reduce the burden on members who now provide casualty assistance as a collateral duty.

Recommendations and Conclusions

Based on this review of military death benefits and a comparison with other occupational groups, we make the following recommendations:

1. We do not believe that a separate benefit analogous to the PSOB is warranted, given the overall adequacy of the military death benefits package and the potentially large cost of such a program. We do note, however, that the rationale Congress applied in establishing the PSOB for law-enforcement officers and firefighters seems to apply equally well to military members.
2. Index SGLI coverage and the death gratuity using the annual average increase in Basic Pay. The increased SGLI coverage option would have no cost to the government, while an initial adjustment to the death gratuity would cost the government $425,580 annually for normal peacetime deaths.
3. Provide $50,000 in SGLI coverage to all members at no cost to the member. This will cost about $55 million annually at current strength levels.
4. Establish full-time casualty assistance positions at every military installation.
5. Maintain the current offset to SBP for DIC payments and the reduction in SBP annuities at age 62.
6. Provide guidance on the proper interpretation of Section 1448(d)(2) of Title 10, United States Code (as amended by P.L. 108-136) to allow SBP Spouse to revert to SBP Child when the surviving spouse remarries.

We also identify two issues that warrant further study. Members who retire on disability and subsequently die as a result of their injuries or illnesses are not active-duty deaths. It would be useful to determine whether their survivors receive a comparable level of benefits. Second, greater use of Reservists in a mobilized status increases the likelihood that they will die on active duty. Reservists may have different survivor benefit needs and concerns. Do the active-duty death benefits provide an adequate package of benefits when the member is an activated Reservist?

Acknowledgements

Our analysis benefited from the assistance of many different individuals. Tom Tower, Chuck Witschonke and Saul Pleeter of the Office of the Secretary of Defense (OSD) Compensation Directorate provided guidance and access to data and other information critical to the analysis. Jackie Pitts, Beth Pantall and John Hope of SAG contributed greatly to the accumulation and synthesis of the vast amount of data and information necessary for this report.

Joel Sitrin, Chief Actuary in the Department of Defense (DoD) Office of the Actuary and his staff provided detailed data on projected military death rates and estimates of survivor life expectancy. Meg Falk and Mark Ward of the OSD Office of Family Policy shared their insights and information on the casualty assistance program. Thomas Perry of the U.S. Air Force Casualty Matters Division provided data on Air Force casualty assistance manning. Daryl Mecklem of the Veterans Benefits Administration was an invaluable source of data and information on the SGLI program. Karen Leibach and Jim Giuseppe at the Office of Personnel Management provided information and data on federal civilian employee benefits, while Kathleen McMananan of the Department of Veterans Affairs provided VA program budget data. Michael Guerriere of the Bureau of Justice Assistance reviewed the PSOB program with us in great detail and supplied a large amount of useful data and supporting documentation.

Lee Lange, Mike Jordan and Steve Strobridge of the Military Officers Association of America and Deirdre Holleman of the Retired Enlisted Association shared their views on many of the issues addressed in this report.

Sarah Jennings of the Congressional Budget Office offered keen insight on issues related to the costs of the Survivor Benefit Plan.

While these individuals provided invaluable assistance and guidance, any errors or omissions are those of the authors alone. The report reflects the views of the authors and does not represent the official position of the Department of Defense on the issues addressed.

Table of Contents

Executive Summary i
Overview of Current Military Benefits i
Immediate Income Assistance ii
Transition Assistance ii
Income Replacement ii
Unpaid Compensation ii
Recognition of Sacrifice/Employer Liability ii
Overview of Employer-Provided Death Benefits ii
Evaluation of Military Benefits iii
Alternative Policy Options iv
Recommendations and Conclusions v
Acknowledgements vi
Introduction 1
Background/Objective of Study 1
Purpose of Survivors' Death Benefits 1
Distinction for Line-of-Duty Deaths 2
Classification Scheme for Death Benefits 3
Outline of the Report 4
Overview of Current Military Benefits 5
Immediate Income Assistance 6
Death Gratuity 6
Burial Benefits 7
Social Security Lump Sum Death Payment 7
Transition Benefits 7
Casualty Assistance Officer 7
Counseling Services 8
Tax Benefits 8
Military Health and Dental Care Benefits 8
Commissary and Exchange Privileges 8
Basic Allowance for Housing 9
Personal Effects and Household Goods 9
Income Replacement 9
Dependency and Indemnity Compensation 9
VA Education Benefits 10
Social Security Benefits 10
Survivor Benefit Plan 10
Servicemember's Group Life Insurance 12
Family Servicemember's Group Life Insurance 14
Unpaid Compensation 14
Recognition of Sacrifice/Employer Liability 14
Pending Military Survivor Benefit Legislation 14
Benefits Available from Private Trusts, Foundations and Non-profit Organizations 15
Alternative Sources of Life Insurance 16
Other Employers' Programs 17

Federal Civilian Employees 18
Immediate Income Assistance 19
Transition Benefits 19
Income Replacement 19
Unpaid Compensation 21
Recognition of Sacrifice/Employer Liability 21
Law Enforcement Officers 22
Immediate Income Assistance 22
Transition Benefits 22
Income Replacement 22
Unpaid Compensation 22
Recognition of Sacrifice/Employer Liability 23
Firefighters 23
Immediate Income Assistance 24
Transition Benefits 24
Income Replacement 24
Unpaid Compensation 24
Recognition of Sacrifice/Employer Liability 24
Commercial Aircrews 25
Immediate Income Assistance 25
Transition Benefits 25
Income Replacement 25
Unpaid Compensation 25
Recognition of Sacrifice/Employer Liability 25
Private-Sector Employees 26
Immediate Income Assistance 26
Transition Benefits 26
Income Replacement 27
Unpaid Compensation 28
Recognition of Sacrifice/Employer Liability 28
Canadian and British Military Members 29
Immediate Income Assistance 29
Transition Benefits 29
Income Replacement 29
Unpaid Compensation 30
Recognition of Sacrifice/Employer Liability 30
Comparison of Military Benefits with Other Programs 30
Immediate Income Assistance 30
Transition Benefits 31
Income Replacement 32
Unpaid Compensation 34
Recognition of Sacrifice/Employer Liability 34
Equity of Benefits Compared to Civilians in Similar Situations 34
Alternative Policy Options 38
Benefit Recognizing Sacrifice 39
Indexing of Cash Benefits 40

Minimum No-Cost SGLI Coverage 41
Changes to the SBP Program 42
Dedicated Casualty Assistance Resources 43
Recommendations and Conclusions 43
Index SGLI and Death Gratuity 45
Provide $50,000 SGLI to All Members at No Cost 45
Establish Full-Time Casualty Assistance Positions 45
Changes to SBP 45
Conclusions 46
References 46
Appendix A. Text of Sec. 647 of the FY 2004 NDAA 48
Appendix B. Summary of Law-Enforcement Death Benefits by State 50
Appendix C. Summary of Firefighter Death Benefits by State 61
Appendix D. Hypothetical Comparison of Death Benefits Across Employers 66

Tables

Table 1. Categories of Death Benefits 4
Table 2. U.S. Active Duty Military Deaths, 1980 through 2002 5
Table 3. Recap of Military Death Benefits by Category 6
Table 4. SGLI Monthly and Annual Premiums 12
Table 5. SGLI Maximum Coverage Amounts and Effective Dates 13
Table 6. SGLI Coverage and Payments by Year 13
Table 7. Pending Military Survivor Benefit Legislation 15
Table 8. Selected Private Organizations Offering Survivor Support 16
Table 9. Extent of FEGLI Coverage, September 2003 21
Table 10. Percent of Workers Participating in Survivor Benefits, by Worker and Establishment26
Table 11. Life-Insurance Provisions for Full-Time Employees of Medium and Large Private Establishments (1995) 28
Table 12. Comparison of SGLI and FEGLI Coverage 33
Table 13. Comparison of Cash Benefits by Employee Type (Line-of-Duty Death) 37
Table 14. Comparison of Cash Benefits by Employee Type (Not Line-of-Duty Death) 38
Table 15. Anticipated Cost of Line-of-Duty Benefit for Historical Conflicts 40
Table 16. SGLI Premiums with Automatic Coverage 41

Figures

Figure 1. Actual vs. Wage-Adjusted Death Gratuity by Fiscal Year 31
Figure 2. Actual vs. Wage-Adjusted SGLI Coverage by Fiscal Year 33

Review of Military Death Benefits
Final Report

Introduction

Background/Objective of Study

The Principal Deputy Undersecretary of Defense (Personnel & Readiness) asked SAG Corporation to conduct an independent review that assesses the relative value and sufficiency of death benefits provided to survivors of members of the Uniformed Services. The objective of this study is to survey the current programs and policies affecting military death benefits, compare these benefits to those offered by other employers, assess the adequacy of the military death benefits, and recommend alternatives and enhancements where warranted.

The requirement for this report stemmed from the Conference Report on the FY 2004 National Defense Authorization Act. Congress particularly expressed concern that

- the Government of the United States properly recognized the significant sacrifice entailed in the loss of life by members;
- the death benefits offered to civilian victims of terrorism may outstrip those offered to military members who are also victims of terrorism;
- the death benefits offered to military members have not kept pace with benefits offered by other employers; and
- Servicemembers' Group Life Insurance (SGLI) requires members to pay premiums and does not provide a guaranteed minimum benefit (participation in SGLI is voluntary).

The requirement for this report is explicitly presented in Sec. 647 of Public Law 108-136 (National Defense Authorization Act for Fiscal Year 2004). Appendix A includes the text of Section 647.

Purpose of Survivors' Death Benefits

Employers provide death benefits for two main reasons. First, they serve as an insurance policy for the dependents of employees, and are thus an inducement that will attract and retain valued workers. The second reason for providing these benefits is to indemnify survivors for deaths that were a result of the employees' job (i.e., a line-of-duty death). Death benefits may be a combination of cash payments (both lump-sum and annuity) and in-kind assistance (e.g., educational assistance and health insurance).

Most employers provide some type of benefits to the survivors of employees who die. Most also have a greater level of benefits for deaths that are work-related. This section discusses the role of employer-provided death benefits as part of the total compensation package. It includes a functional categorization of death benefits that we use to compare and evaluate benefits.

Before we begin our analysis, we define some basic terms that we use throughout the report.

- ***Survivor*** – generally refers to the current spouse and natural or adoptive, minor children of the employee who dies. In some cases survivor status may be extended to the employee's parents. It is possible for an employee to die without survivors.
- ***Next of Kin*** – are the individuals who are officially notified of the employee's death. The next of kin may be a spouse, children, parents or siblings and may be designated by the employee.
- ***Designated Beneficiaries*** – are individuals to whom the employee has assigned certain death benefits (notably life insurance).

Distinction for Line-of-Duty Deaths

Some employer-provided benefits (e.g., life insurance) are not dependent on the cause of death. Other benefits are more directly based on liability. When the employee's death can be shown to be a direct result of his or her job, additional compensation is usually provided. In the private sector, such compensation is offered through the workers compensation program. Survivors may also choose to sue for damages in order to collect money from the employer.

The definition of *line of duty* varies by employer. The Public Safety Officers' Benefits (PSOB) program provides a cash benefit to survivors of law-enforcement and firefighting personnel who are killed in the line of duty; the PSOB definition is illustrative. According to 28 CFR 32,

> c) *Line of duty* means:
>
> (1) Any action which an officer whose primary function is crime control or reduction, enforcement of the criminal law, or suppression of fires is obligated or authorized by rule, regulations, condition of employment or service, or law to perform, including those social, ceremonial, or athletic functions to which the officer is assigned, or for which the officer is compensated, by the public agency he serves. For other officers, "line of duty" means any action the officer is so obligated or authorized to perform in the course of controlling or reducing crime, enforcing the criminal law, or suppressing fires; and
>
> (2) Any action which an officially recognized or designated public employee member of a rescue squad or ambulance crew is obligated or authorized by rule, regulation, condition of employment or service, or law to perform.
>
> (d) *Direct and proximate*, *direct*, or *proximate* means that the antecedent event is a substantial factor in the result.
>
> Benefits will not be paid if the officer was voluntarily intoxicated at the time of death or was performing his or her duties in a grossly negligent manner.

Essentially, a line-of-duty death in this case is any death as a proximate result of the employee's job responsibilities.

The Department of Defense (DoD) already makes a distinction between deaths due to hostile action and other active-duty deaths, although this distinction does not affect pay or survivor benefits. DoD Instruction 1300.18 states, in part,

> E2.1.1.19. Hostile Casualty. A person who is the victim of a terrorist activity or who becomes a casualty "in action." "In action" characterizes the casualty as having been the direct result of hostile action, sustained in combat or relating thereto, or sustained going to or returning from a combat mission provided that the occurrence was directly related to hostile action. Included are persons killed or wounded mistakenly or accidentally by friendly fire directed at a hostile force or what is thought to be a hostile force. However, not to be considered as sustained in action and not to be interpreted as hostile casualties are injuries or death due to the elements, self-inflicted wounds, combat fatigue, and except in unusual cases, wounds or death inflicted by a friendly force while the individual is in an absent-without-leave (AWOL), deserter, or dropped-from-rolls status or is voluntary absent from a place of duty.

This definition is more restrictive than the line-of-duty distinction in the PSOB program. It is certainly possible for an active duty member of the military to die as a direct and proximate result of performing his or her duties while not in a hostile action.

Classification Scheme for Death Benefits

Our analysis revealed a wide range of cash and non-cash benefits for survivors of employees who die. In order to make effective comparisons across employers, we organized benefits into categories according to their function. Our classification scheme consists of five separate categories for benefits as outlined in Table 1. In application, some benefits may in fact cross categories.

Immediate income assistance usually consists of lump-sum cash payments that are issued to survivors quickly in order to help with extraordinary expenses associated with the employee's death. These may be for a fixed amount or a multiple of the employee's salary (e.g., two months' pay). Immediate income assistance may also include cash or in-kind provision of funeral and burial expenses.

Transition assistance benefits help survivors manage over the period in which they must adjust, both financially and emotionally, to the death of the employee. These benefits may include counseling and temporary extension of benefits (e.g., health insurance).

Income replacement benefits compensate for the loss of the employee's earnings. The benefit may take the form of a life insurance policy or a retirement annuity.

Unpaid compensation consists of any accrued pays that are owed to the employee at the time of death. This pay often includes reimbursement for unused leave and the remainder of bonuses and special pays owed.

Recognition of sacrifice/employer liability benefits are targeted specifically to those instances in which the employee's death is directly attributable to his or her employment (i.e., in the line of duty). The pay may be a lump-sum award or an annuity (e.g., workers compensation death benefit).

Table 1. Categories of Death Benefits

Benefits Category	Purpose	Examples
Immediate Income Assistance	Offset any gaps in income and immediate expenses	Death gratuity
Transition Assistance	Help survivors adjust to loss of worker	Grief counseling Financial counseling Medical and dental insurance
Income Replacement	Provide alternative source of money to offset loss of worker's earnings	Life insurance Survivor benefit pensions
Unpaid Compensation	Distribute wages, pension, and other compensation owed to worker at time of death	
Recognition of Sacrifice/ Employer Liability	Compensate survivors for extraordinary sacrifice when worker is killed in the line of duty	Workers compensation death benefit

Outline of the Report

The study begins with an overview of the benefits currently offered to survivors of members who die on active duty. In this section we also include a brief review of pending legislation and list some of the private, non-profit organizations that provide benefits. Finally, we discuss the provision of life insurance as a death benefit and assess the availability of private life insurance for active-duty military members.

The second section of the report reviews the benefits packages offered to other types of employees, including Federal government civilian employees, law enforcement officers, firefighters, commercial aircrew members, private-sector employees and Canadian and British armed forces' members.

The third section evaluates military benefits by comparing and contrasting current benefits with those offered to other groups of employees. In this section, we also offer a hypothetical comparison of benefits for a group of workers involved in a line-of-duty incident.

Based on the preceding analysis, we examine different policy options for changing the set of death benefits currently offered. In each case, we examine the advantages and disadvantages and, where possible, estimate the cost of implementing the change.

Finally, we offer our recommendations and conclusions regarding the policy options that we examined.

Overview of Current Military Benefits

Survivors of members of the Uniformed Services who die on active duty are eligible for a number of benefits, ranging from immediate assistance to long-term income replacement annuities. The Department of Defense provides many of the benefits directly; survivors may also receive benefits from the Department of Veterans Affairs (VA) and the Social Security Administration (SSA).

The DoD Actuary estimates that about 865 active-duty members will die each year in the absence of a significant hostile action. Table 2 shows active-duty deaths by type of death for calendar years 1980 through 2002.

Table 2. U.S. Active Duty Military Deaths, 1980 through 2002

Calendar Year	Total Military FTE	Total Deaths	Death Rate	Accident	Hostile Action	Homicide /Self Inflicted	Illness	Pending/ Undeter-mined	Terrorist Attack
1980	2,159,630	2,392	0.0011	1,556	0	405	419	11	1
1981	2,206,751	2,380	0.0011	1,524	0	386	457	13	0
1982	2,251,067	2,318	0.0010	1,494	0	362	446	16	0
1983	2,273,364	2,465	0.0011	1,413	18	333	419	19	263
1984	2,297,922	1,999	0.0009	1,293	1	309	374	16	6
1985	2,323,185	2,252	0.0010	1,476	0	386	363	22	5
1986	2,359,855	1,984	0.0008	1,199	2	372	384	27	0
1987	2,352,697	1,983	0.0008	1,172	37	364	383	25	2
1988	2,309,495	1,819	0.0008	1,080	0	375	321	26	17
1989	2,303,384	1,636	0.0007	1,000	23	282	294	37	0
1990	2,236,377	1,508	0.0007	880	0	306	278	43	1
1991	2,129,644	1,787	0.0008	931	147	368	308	33	0
1992	1,953,337	1,293	0.0007	676	0	347	252	17	1
1993	1,849,537	1,213	0.0007	632	0	322	221	9	29
1994	1,746,482	1,075	0.0006	544	0	315	206	10	0
1995	1,661,928	1,040	0.0006	538	0	317	174	4	7
1996	1,613,310	974	0.0006	527	1	240	173	14	19
1997	1,573,995	817	0.0005	433	0	201	170	13	0
1998	1,534,183	826	0.0005	445	0	186	168	24	3
1999	1,519,930	795	0.0005	436	0	182	149	28	0
2000	1,523,876	774	0.0005	400	0	173	124	60	17
2001	1,537,116	890	0.0006	422	0	160	175	78	55
2002	1,564,066	1,007	0.0006	538	17	176	178	98	0

Source: Washington Headquarters Service, Directorate for Information Operations and Reports

This section provides a brief description of each of the current death benefits available to survivors. Where noted, changes in benefits may be pending current legislation. In this discussion, *survivor* refers to the individuals who are beneficiaries for the death benefits. First in

line is the surviving spouse, followed by the member's children without regard to age or marital status (includes natural, adopted or illegitimate children) in equal shares. The member's parents are last in line. Some benefits will depend on the spouse's or children's age and marital status. Note also that survivor is a separate status from *next of kin*. Referring to the definitions section earlier in this report, it is possible for a member to have next of kin without having survivors eligible for benefits.

Our discussion is structured according to the classification scheme presented in the previous section. Table 3 summarizes the military death benefits discussed in this section according to that categorization.

Table 3. Recap of Military Death Benefits by Category

Benefit Categories	Military Benefits
Immediate Income Assistance	
	Death Gratuity
	Funeral and Burial Benefits
	Social Security Lump Sum Death Payment
Transition Benefits	
	Casualty Assistance
	Counseling Services (family centers)
	Tax Benefits
	TRICARE (includes dental)†
	Commissary and Exchange Privileges†
	Basic Allowance for Housing (BAH)
	Personal Effects and Household Goods
Income Replacement	
	Dependency and Indemnity Compensation (DIC)
	VA educational assistance benefits
	Social Security payments
	Survivor Benefit Plan (SBP)
	SGLI
	FSGLI
Unpaid Compensation	
	Unpaid Compensation and Leave
Recognition of Sacrifice/ Employer Liability	
	None

†These benefits are classified as transition assistance, but could also be considered income replacement since they may continue for the survivor's lifetime.

Immediate Income Assistance

Death Gratuity

An immediate tax-free lump-sum payment of $12,000 is paid to survivors to help them cover living expenses and immediate needs. The death gratuity will be paid within 24 to 72 hours of notification of the member's death. The current payment level was enacted as part of the

Military Family Tax Relief Act of 2003, signed into law on 11 November 2003, but retroactive to 10 September 2001.

For deaths prior to 10 September 2001, the payment was $6,000, half of which was tax-free. The gratuity was set effective 2 August 1990 at $6,000 during the first Persian Gulf War; prior to that, the gratuity had been $3,000 and was not taxable.

The death gratuity was designed to provide emergency funds for survivors until payment of other cash benefits became available. Originally, the gratuity was set at six months' pay, with a minimum and maximum amount that were periodically adjusted. By the early 1990s, however, six months' pay for all active-duty personnel surpassed the maximum amount ($3,000).[1]

The OSD Office of the Actuary estimates that approximately 865 members will die on active duty in a typical year (excluding hostile-fire deaths). At current death gratuity levels, the annual cost would be $10.38 million. The DoD 2004 Budget reports death gratuity expenditures at $9.06 million for FY 2003 and projects expenditures of $17.97 million and $13.75 million, respectively for FY 2004 and FY 2005.

Burial Benefits

The Department of Defense will process, transport, and inter remains and provide a casket, vault and headstone. In lieu of providing these services directly, the Department will reimburse survivors for expenses, with a maximum reimbursement for funeral and burial expenses of $6,900. Travel reimbursement is available for the surviving spouse and unmarried children, or the surviving parents if (a) the member had no surviving spouse or child or (b) the surviving spouse and child did not use the benefit.[2]

Burial benefits are not broken out as separate budget items, but the DoD 2004 budget includes a category for survivor benefits (inclusive of burial benefits). The budget cost reported for FY 2003 was $10.93 million. Estimated costs for FY 2004 and FY 2005 are $10.09 million and $11.32 million.

Social Security Lump Sum Death Payment

Once a survivor contacts the SSA, he or she will receive a $255 lump sum death payment within 30 to 90 days and other monthly benefits (discussed below) thereafter.

Transition Benefits

Casualty Assistance Officer

The first benefit provided to survivors is the assignment of an active-duty member who will advise and assist the survivors in making funeral and burial arrangements and in applying for other death benefits. This advisor is called the Casualty Assistance Officer (CAO) by the Army, the Casualty Assistance Representative (CAR) by the Air Force and the Casualty Assistance Calls Officer (CACO) by the Navy and Marine Corps.

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[1] Department of Defense (1996), p. 624.
[2] http://www.Militaryfuneralhonors.osd.mil

The advisor will answer all questions regarding death benefits and inform survivors of eligible benefits. Officers do this job as a collateral duty in the Army, Navy and Marine Corps; however, the Air Force uses full-time Casualty Assistance Representatives. The CARs are usually civilian Air Force employees either wholly or partially dedicated to casualty assistance. The Air Force does appoint a Family Liaison Officer as a collateral duty.

Counseling Services

The Services offer a variety of counseling and other programs through their family centers (Army Community Service Centers, Navy and Marine Corps Family Service Centers, and Air Force Family Support Centers). Survivors can use the centers to obtain financial and grief counseling, as well as assistance with job hunting and relocation. One potential weakness of this delivery system is that the centers are necessarily located at military installations. A surviving family may relocate to an area in which there are no convenient centers..

Survivors who receive an SGLI payment are also eligible for financial counseling through the Beneficiary Financial Counseling Service (BFCS), which is discussed below.

Tax Benefits

If the service member dies in a combat zone, as a result of injuries, wounds or disease contracted in a combat zone or while eligible for imminent danger or hostile fire pay, the member's federal income tax liability is forgiven for the tax year in which he or she died. Tax liability for previous years will also be forgiven if the member was in the combat zone earlier than the last day of that year. [3] Note that all payments made by the VA, as well as the death gratuity, are tax-exempt.

Military Health and Dental Care Benefits

Eligible spouses and children will retain health-care benefits. For three years after the date of death, survivors receive full active-duty benefits. This transitional health care coverage includes all TRICARE benefits and co-pays for active duty. Once three years have past, the cost of TRICARE and TRICARE co-pays for survivors rise to the rates paid by retirees and remain at that level as long as the survivors are eligible (i.e., benefits will cease for the surviving spouse if he or she remarries and coverage for children ends when they are no longer minors).

Dental-care benefits are similar to health benefits. If survivors are enrolled in the TRICARE dental program for active duty, cost will be premium-free for three years. After three years from the time of death, the family will be notified that active duty coverage has ended. Survivors may reenroll and receive the retiree rate.

Commissary and Exchange Privileges

Surviving spouses and dependents are still authorized to shop at military commissaries and exchanges so long as the dependents are unmarried and the spouse is not remarried. The same rules apply to spouses and dependents of retired members.

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[3] http://www.irs.gov/publications/p3/ar02.html#d0e4244

Basic Allowance for Housing

Survivors are granted rent-free government housing or tax-free basic housing (BAH) or Overseas Housing Allowance for 180 days. The 180-day privilege can be a mixture of government and private housing. In order for a survivor to receive private housing allowance, the member must have been eligible to receive those allowances for dependents at the time of death. It will take seven to fourteen days after the notification for housing benefits go into effect.

Personal Effects and Household Goods

Survivors will be relieved of all moving costs if the move is to one of four locations:

- member's last permanent duty station
- the member's home of record
- the home of his or her dependents
- the home of the next of kin, or to other persons legally entitled to receive custody of the member's household goods.

Income Replacement

Dependency and Indemnity Compensation

Dependency and Indemnity Compensation (DIC) is a non-taxable monthly annuity payment administered by the VA. Surviving spouse and dependents must be unmarried in order to receive DIC. However, the surviving spouse will continue to receive DIC if he or she remarries after age 57; also, DIC will resume if the remarriage ends through divorce or death. While this benefit includes the word *indemnity* in its title, surviving spouses and children of any member who dies on active duty are eligible (i.e., all active-duty deaths are presumed to be service-related). DIC payments are as follows:

- basic spouse flat-rate equals $967 per month; and
- an additional $241 is given for each dependent child until age 18. The law will also provide the additional amount to dependents with special needs:
    - Between the ages of 18 and 23 and enrolled full-time in a VA-approved school;
    - Over 18 and became incapable of supporting themselves before their 18th birthday.

Survivor Benefit Plan payments to the surviving spouse will be offset dollar-for-dollar by the amount of the DIC payment.

According the Veteran's Benefits Administration (VBA), the DIC obligations for the past three years were the following:

- FY 2001: $3.65 billion
- FY 2002: $3.75 billion
- FY 2003: $3.89 billion

Note, however, that this number includes payments to survivors of those who died after leaving active duty as well. The VBA does not provide a separate breakout of costs just for survivors of active-duty members.

VA Education Benefits

The VA can grant up to 45 months of full-time education benefits to the spouse and dependents of the service member. Survivors of service members who have made contributions to the Veterans Educational Assistance Program (VEAP) will receive a death benefit equal to the amount the service member contributed. In order to qualify for this benefit the death must be determined to be service connected.

Social Security Benefits

Monthly Social Security payments are based on the length of time the service member has served and the amount of payroll deductions towards the Federal Insurance Contributions Act (FICA). The survivor receives a percentage (usually 75% to 100%) of the basic Social Security benefit. The percentage depends on the age and the type of benefit for which the deceased is eligible. The most typical situations are as follows:

- widow or widower, age 65 or older — 100%
- widow or widower, age 60 to 64 —71-94%
- widow, any age, with a child under age 16 — 75% or
- children — 75%

However, there is a limit to the amount of money that can be paid each month to a family (surviving spouse plus children). The limit varies, but is generally equal to about 150 to 180 percent of the benefit rate. If the total family benefits are above this limit, the family's benefits will be reduced proportionately.

Survivor Benefit Plan

Survivors of members who die on active duty may be eligible for a portion of the member's retirement compensation under the Survivor Benefit Plan (SBP). The National Defense Authorization Act for FY 2002 (NDAA02, PL 107-107, 28 Dec 01) retroactively applied this benefit to all active duty deaths occurring on or after 10 September 2001. The SBP is paid to the member's spouse (or children if there is no surviving spouse or the surviving spouse dies). Payments continue until the death or remarriage of the spouse, or until the member's children no longer qualify as dependents.

SBP is payable to these survivors if the member who died on active duty was already retirement eligible or if the death is determined to be in the line of duty. The determination of line of duty is outlined in the Department of Defense Financial Management Regulation, Chapter 52:

5206. LINE OF DUTY DETERMINATION
520601. Purpose. For the purpose of determining eligibility for SBP benefits, a member's death will generally be considered to have occurred in Line-of-Duty unless:

A. the death occurred while the member was not serving on active duty,
B. the death was the result of the member's own intentional misconduct or willful negligence, or
C. the death occurred during a period of unauthorized absence.

520602. Investigation to Determine the Cause of Death. The military services will conduct an investigation and make a written finding as to whether a member's death on or after September 10, 2001, was in the Line-of-Duty while the member was on active duty. The written finding must describe the circumstances under which the member died, and it must also address whether the death was caused by the member's own intentional misconduct or willful negligence, or whether the death occurred during a period of unauthorized absence.

In cases in which the member dies while on active duty in the line of duty, surviving spouses are entitled to 55 percent of retired pay while under the age of 62, and 35 percent at age 62 and older. The initial, larger annuity is meant to compensate for the fact that the surviving spouse is not yet eligible for Social Security. When the spouse becomes eligible for a Social Security payment at age 62, the SBP annuity decreases.

If the member leaves no surviving spouse, the surviving spouse subsequently dies, or the surviving spouse so elects, the SBP is payable instead to the member's surviving dependent children in equal shares. The National Defense Authorization Act (NDAA) for Fiscal Year 2004 (P.L. 108-136) changed Section 1448(d)(2) of Title 10, United States Code. Previously, the SBP did not revert to dependent children if the active member's spouse remarries.

> Dependent child annuity. - The Secretary concerned shall pay an annuity under this subchapter to the dependent child of a member described in paragraph (1) if there is no surviving spouse or if the member's surviving spouse subsequently dies.

P.L. 108-136 changed the wording of this paragraph:

> Dependent children.--
>
> (A) Annuity when no eligible surviving spouse.--In the case of a member described in paragraph (1), the Secretary concerned shall pay an annuity under this subchapter to the member's dependent children under section 1450(a)(2) of this title as applicable.
>
> (B) Optional annuity when there is an eligible surviving spouse.--In the case of a member described in paragraph (1) who dies on or after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2004 and for whom there is a surviving spouse eligible for an annuity under paragraph (1), the Secretary may pay an annuity under this subchapter to the member's dependent children under section 1450(a)(3) of this title, if applicable, instead of paying an annuity to the surviving spouse under paragraph (1), if the Secretary concerned, in consultation with the surviving spouse, determines it appropriate to provide an annuity for the dependent

children under this paragraph instead of an annuity for the surviving spouse under paragraph (1).

Section 1450(a)(2) of Title 10 previously applied to coverage for retirees' survivors only:

> Surviving children. - The surviving dependent children in equal shares, if the eligible surviving spouse or the eligible former spouse is dead, dies, *or otherwise becomes ineligible under this section*[emphasis added].

Therefore, survivors of a member who dies while on active duty may choose child-only coverage even if an eligible spouse survives. Moreover, if the survivors choose spouse coverage, SBP will revert to child coverage in any circumstance in which a surviving spouse is no longer eligible to receive SBP.

Servicemember's Group Life Insurance

Every active duty service member is automatically provided $250,000 coverage through the SGLI program. The member must pay a monthly premium, but the government subsidizes the program by paying the costs of any death claims above the normal rate expected in peacetime. In effect, the government (the four Services) pays the cost of wartime deaths. A member may decline coverage or purchase lower levels of coverage. The cost of coverage is the same for all pay grades. The designated beneficiary on the member's SGLI election and certificate form will be paid SGLI in a lump sum or in 36 equal monthly installments. If there is no beneficiary selected, the proceeds will go to the next of kin.

Table 4 shows the monthly and annual premiums paid by members participating in the SGLI program. The maximum cost (for $250,000 coverage) is $195 per year. These premiums were set at the current level effective 1 July 2003. SGLI costs $0.065 per $1,000 of coverage each month.

Table 4. SGLI Monthly and Annual Premiums

Coverage Amount	Monthly Premium	Annual Premium
$10,000	$0.65	$7.80
$20,000	$1.30	$15.60
$30,000	$1.95	$23.40
$40,000	$2.60	$31.20
$50,000	$3.25	$39.00
$100,000	$6.50	$78.00
$150,000	$9.75	$117.00
$200,000	$13.00	$156.00
$250,000	$16.25	$195.00

Source: VA Insurance website (http://www.insurance.va.gov/sgliSite/SGLI/sgliPremiums.htm)

The SGLI program became effective on 29 September 1965. Table 5 shows that Congress has sporadically increased the maximum coverage (initially set at $10,000 and currently $250,000).

Table 5. SGLI Maximum Coverage Amounts and Effective Dates

Effective Date	Maximum Coverage
29 September 1965	$10,000
25 June 1970	$15,000
24 May 1974	$20,000
1 December 1981	$35,000
1 January 1986	$50,000
6 April 1991	$100,000
1 December 1992	$200,000
1 April 2001	$250,000

Source: Servicemembers' and Veterans' Group Life Insurance Handbook (April 2003)

The Department of Veterans Affairs Regional Office and Insurance Center manages the SGLI program. The Office of Servicemember's Group Life Insurance (OSGLI), a division of Prudential Insurance, administers the SGLI program. Participation is voluntary, but nearly universal, as shown in Table 6.[4] Average payouts increased across the 2001-2002 policy years, reflecting the increase in maximum coverage from the previous level of $200,000 to the current level of $250,000. As a related benefit, the beneficiary is offered access to the BFCS. This service provides objective financial advice to the beneficiary.

Table 6. SGLI Coverage and Payments by Year

	2003	2002	2001	2000	1999
Death Claims Paid (policy year)					
Number of Claims	1,210	1,053	961	963	955
Total Paid ($M)	$295.5	$257.3	$194.9	$182.8	$182.9
Average Payment	$244,254	$244,307	$202,805	$189,865	$191,546
Max. Coverage Available	$250,000	$250,000	$250,000	$200,000	$200,000
SGLI Participation (fiscal year)					
Total Participants	1,475,732	1,434,429	1,411,441	1,420,539	1,457,085
Participation Rate	98%	99%	97%	98%	98%
% with Max. Coverage	94%	97%	90%	92%	93%
SGLI Premiums (fiscal year)					
Total Premiums Paid ($M)	$339.0	$343.8	$291.7	$252.7	$260.4
Average per person per Year	$230	$240	$207	$178	$179

Source: OSGLI

[4] The average cost for the historical data exceeds the current maximum annual premium of $195. However, these costs predate the most recent reduction in SGLI premiums.

Family Servicemember's Group Life Insurance

The Family Servicemember's Group Life Insurance (FSGLI) is a program designed for spouses and dependent children of members insured under the SGLI program. FSGLI provides the following:

- maximum of $100,000 of insurance coverage for spouses ; and
- $10,000 for dependent children.

If a servicemember is married to another member, both can be insured under the FSGLI and SGLI programs at the same time, for a maximum coverage amount of $350,000 each.

Unpaid Compensation

The designated beneficiary will collect all unpaid compensation that was due to the service member on the date of death. This compensation will include any remaining bonus annuity payments and payment for unused accrued leave. If the designated beneficiary is unavailable to collect, then unpaid compensation will be given to the next of kin.

Recognition of Sacrifice/Employer Liability

All deaths while on active duty (except in a very narrow set of circumstances described above in the Survivor Benefit Plan section) are considered "line of duty." Accordingly, there are no additional benefits for certain active-duty deaths. The philosophy behind this approach is that the government will provide a substantial level of survivor benefits regardless of the cause of death. As a result, members' survivors should receive a level of benefits comparable to benefits accorded to other workers' survivors when the employee death occurred on the job.

Part of our evaluation presented below addresses this philosophy. We construct a hypothetical example that allows us to compare the total package of benefits accruing to survivors of military with survivors of other employees killed in similar circumstances.

Pending Military Survivor Benefit Legislation

Survivor benefits are an area in which Congress has demonstrated a high level of interest. A number of bills are active in the House and Senate that affect various aspects of benefits provided to survivors of members who die while on active duty. Table 7 highlights some pending legislation initiatives.

Table 7. Pending Military Survivor Benefit Legislation

		Purpose	Status
Military Survivor Benefits Improvement Act of 2004	H.R. 3763 S.1916	Would increase SBP Annuity from 35% to 55% for those age 62 or above (phased-in implementation)	Both bills referred to respective Armed Services Committees
Military Retiree Survivors Relief Act of 2003	H.R. 1726 S. 585	Would repeal DIC offset to SBP payments	Both bills referred to respective Armed Services Committees
Continue DIC for spouses who remarry after age 55	H.R. 36 S. 249	Would continue DIC payments to spouses who remarry after age 55 (extend current policy for remarriage after age 57)	Both bills referred to respective Veterans Affairs Committees

In March 2004, the Senate adopted by "unanimous consent" a budget resolution amendment that would authorize budget headroom to phase out the Survivor Benefit Plan (SBP) policy that reduces surviving spouses' SBP annuities after age 62. However, the House did not provide a similar authority in its version of the Budget Resolution.

Benefits Available from Private Trusts, Foundations and Non-profit Organizations

Survivors may also receive assistance from non-governmental sources. There are a variety of private (generally non-profit) organizations that offer counseling services, financial aid and other help to families of members killed on active duty. These groups also may act as survivor advocates, lobbying the Federal government for changes in benefits.

As the level and types of benefits offered varies across organizations, so too do the eligibility requirements. We did not consider these benefits as a part of the DoD benefits package when assessing the overall adequacy of survivor death benefits. The DoD cannot rely on these private organizations to provide the benefits because it exerts no control over the program features and eligibility requirements.

Table 8 offers a list of selected organizations that offer this type of support, along with a brief description of the services and benefits available from each. Other organizations that are not included on this list but that may also provide some benefits include veterans advocacy organizations like the Military Officers Association of America (MOAA), the Retired Enlisted Association (TREA), and the Association of the United States Army (AUSA).

Table 8. Selected Private Organizations Offering Survivor Support

Organizations	Descriptions
Army Emergency Relief Navy-Marine Corps Relief Society Air Force Aid Society	Offer emergency assistance for dependents/survivors of active-duty members. Assistance includes money loans, help applying for pensions, insurance and other death benefits.
Tragedy Assistance Program for Survivors Inc. (TAPS)	Offers support, free of charge, to anyone affected by a active duty death. TAPS' services include a national peer support network, grief-counseling referral service, crisis intervention, and caseworker assistance.
The Society of Military Widows (SMW)	Serves the interests of women whose husbands died while on active duty.
Gold Star Wives of America	Provides support services, not including financial, to the wives of deceased service members. Also acts as a lobbyist group.
Veterans' Widows International Network, Inc.	Supports veterans and retiree widows.
The Military Widows Gazette	A newspaper for widows that provides legislative news and information regarding death benefits.
The Widowed Information and Consultation Service	Provides grief counseling to widows.
American Red Cross	Provides assistance in applying for federal and state benefits for survivors.

Alternative Sources of Life Insurance

Employer-provided life insurance is a fairly common death benefit. Typically, an employer provides term life insurance to cover the employee (and, often, family members). The premiums may be paid in full by the employer or partially subsidized. The military death benefit is subsidized only in the sense that the Services directly reimburse the insurance fund for any deaths above the normal rate (e.g., combat-related deaths) under the extra-hazard provisions.

The primary purpose of life insurance is income-replacement. Accordingly, many employers tie the level of insurance to the employee's salary. SGLI coverage does not vary with salary or paygrade, although members may opt for lower levels of coverage.

One rationale for providing the SGLI coverage is that the nature of a member's employment may adversely affect his or her ability to obtain life insurance coverage. Because military service may be riskier than civilian jobs, the member may find it difficult to find coverage, or may have to pay a higher rate than an otherwise similar civilian. Moreover, commercially available life insurance might have a war-exclusion clause (no benefits payable if the death is the result of a hostile action).

We contacted some alternative life insurance providers to determine how active-duty service is considered in the insurability process. Several organizations specifically target military members, veterans and retirees; we focused on these sources.

The Navy Mutual Aid Association (NMAA) offers individual term insurance to members. Plans vary depending on the member's health status, tobacco use and age. However, coverage is available up to $750,000. NMAA insurance has no war exclusion clause and does not charge a higher premium to flight-crew members.[5] Life insurance offered by the Army and Air Force Mutual Aid Association (AAFMA) is virtually identical. There are no war exclusion clauses or additional premiums for flight-crew members. Maximum coverage is $600,000 and premiums vary by age, risk category and tobacco use.[6]

USAA provides members with "No War Exclusion" coverage —policies that will pay beneficiaries for deaths that occur as a result of war. USAA underwrites each policy depending on (1) member's age, (2) member's health, (3) the hazardous duty military occupation, and (4) off-duty/civilian hobbies. Those in hazardous military occupations will pay higher rates for a given level of coverage. USAA does not consider flight crew status *per se* to be hazardous duty, but certain types of pilots (e.g., fighter pilots) may have to pay a higher rate.[7]

AFBA is another organization that provides life insurance primarily to military members and their families. Like USAA, AFBA does not include a war clause in its life insurance policies. Generally, an active-duty member will not pay a higher premium than an otherwise comparable civilian. The sole exception for AFBA is for any individuals receiving military flight crew pay. These individuals will pay an additional four dollars per month for each $50,000 in coverage as long as they are under the age of 40.[8]

The Uniformed Services Benefit Association (USBA) is the fifth organization we surveyed. Their policies also have no war clause. However, deaths that occur as a result of service as a pilot or aircrew member (including training) are paid at one-half of the covered amount if the death occurs prior to age 36. All other deaths are covered at the full value of the policy.[9]

Other Employers' Programs

This section provides comparative information on the death benefits offered by other employers. The groups were selected to give a representative look at death benefits across many sectors of the labor market. We include a discussion of death benefits for

- Federal civilian employees
- law enforcement officers
- firefighters
- commercial aircrews (pilots, flight attendants)
- private sector employees

[5] http://www.nmaa.org/services/lifeinsurance/term.aspx
[6] http://www.aafmaa.com/LifeInsurance/LevelTermI.asp
[7] USAA information is based on a telephone conversation with Scott Mussey, a USAA representative, on 14 November 2003.
[8] AFBA information is based on a conversation with Kerry Neumann, an AFBA representative, on 30 December 2003.
[9] USBA information was obtained from the USBA website: http://www.usba.com.

- Canadian and British military members

In general, we found that private-sector employers provide lower levels of death benefits than public-sector employers. In particular, survivors of law-enforcement and firefighting personnel killed in the line of duty may be eligible for substantially larger packages of benefits than are survivors of other types of workers.

The U.S. military is alone among the employers we surveyed in not distinguishing between line-of-duty and other employee deaths. Virtually all deaths while on active duty are considered in the line of duty; consequently, the death benefits package is identical.[10] In every other case, benefits are larger when the death is as a proximate result of the employee's job.

We also found that military transition benefits are usually better than those offered by other employers. One reason for having a more generous set of transition benefits is the nature of military service. Survivors are more likely to be located somewhere other than their "permanent" homes; the transition from the military to a civilian lifestyle undoubtedly requires a greater adjustment.

Another constant across most employers is that most benefits are automatically indexed, either to the general level of prices or to wages. For example, most employer-provided life insurance is a function of the employee's salary. Likewise, pensions are usually based on the employee's salary at the time of death.

Most employers provide some basic level of life insurance at no cost to the employee. Often, employees may purchase supplemental life insurance. Also, most benefits packages include Accidental Death & Dismemberment insurance. When the death is the result of an accident, the life insurance award is usually doubled.

Federal Civilian Employees

Survivors of Federal civilian employees are also eligible for a variety of death benefits depending on the status of the employee and the circumstances of death. These employees have a life insurance program called Federal Employees Group Life Insurance Program (FEGLI). Like SGLI, FEGLI automatically enrolls all Federal employees unless they waive coverage. However, employees have to pay a portion of the premium to continue coverage.[11] Additional benefits are payable under the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) in certain cases. For work-related deaths, the government pays survivor benefits under the Federal Employees Compensation Act (FECA), which provides workers' compensation coverage for Federal employees.

[10] The sole exception concerns the narrow set of circumstances, discussed above, in which survivors would not be eligible for SBP annuities.
[11] One exception is the U.S. Postal Service, which pays 100% of the premium for its employees.

Immediate Income Assistance

Federal agencies may pay up to $10,000 minus the amount payable under FECA when a civilian employee dies from an injury sustained in the line of duty on or after August 2, 1990. The FECA payment is generally $1,000.

When the death is work-related, the government will pay burial expenses up to $800, although any burial allowance provided by the VA will be deducted. The government will also fully pay the cost of transporting the employee's body if the death occurs away from home. In addition, a $200 allowance will be paid for terminating the deceased's status as a Federal employee.

Transition Benefits

Individual personnel offices of Federal agencies may provide counseling services to survivors of employees who died. This counseling may include both grief counseling and financial counseling. If the deceased employee was enrolled for self and family coverage in the Federal Employee Health Benefits Program (FEHB) and at least one family member is entitled to a monthly annuity, health insurance coverage is continued.

Income Replacement

Income-replacement benefits come in three forms. First, the survivors may be entitled to a portion of the employee's retirement benefits through the CSRS, the FERS and/or through the employee's Social Security coverage. Second, survivors may receive the proceeds from the employee's FEGLI policy. Finally, the government provides an annuity to survivors of an employee who dies of a work-related injury under FECA. Survivors may not receive both a CSRS/FERS benefit and a FECA annuity (the survivor may choose the more advantageous of the two).

For employees covered under the CSRS who completed at least eighteen months of civilian service and died while subject to CSRS deductions, a monthly annuity will be paid to a surviving spouse. The spouse must have been married to the employee for at least nine months or have a child through the marriage. However, the marriage requirement is waived in the case of an accidental death. The guaranteed minimum amount of the annuity is based on the lesser of 40 percent of the employee's high-3 average salary at the time of death and the amount that the annuity would have been for the employee had he or she worked until the age of 60 under the same average pay. The surviving spouse receives the greater of 55 percent of this annuity and 55 percent of an annuity based on the employee's actual service. There is no offset to the annuity at age 62 because CSRS employees do not participate in the Social Security program and surviving spouses will not be eligible at age 62 for any Social Security benefits related to the employee's Federal service. Children receive an annuity as well, generally until they marry or become 18 years old. They may continue to receive an annuity after the age of 18 if they are attending school full time or are disabled.[12]

[12] Source: Office of Personnel Management (1999).

Eligibility for survivor benefits under FERS is similar, using the same marriage criteria. If the employee had at least eighteen months of civilian service, the surviving spouse receives a lump-sum payment equal to one half of the employee's annual salary plus an additional payment equal to $15,000 adjusted upward by the CSRS cost-of-living adjustments since December 1987. Additionally, the surviving spouse and minor children are eligible for a survivor annuity if the employee had at least ten years of service at the time of death. The spouse annuity is equal to fifty percent of the employee's basic FERS annuity. Any children's annuities will be offset by any Social Security benefit that they receive.[13]

FERS and CSRS-Offset employees may also participate in the Social Security program. If so, their survivors may be eligible for a Social Security death benefit as well.

Beneficiaries of employees enrolled in the FEGLI program receive a payment equal to the face value of the insurance. The basic FEGLI coverage is equal to the employee's salary (rounded up to the nearest thousand dollars) plus $2,000. The minimum coverage is $10,000. Additionally, all enrolled employees under the age of 45 automatically receive an extended benefit at no additional premium. Those age 35 or younger receive twice the basic coverage amount. The extended coverage gradually falls to zero at age 45. Employees may also elect optional coverage (at an additional premium). Basic coverage also automatically includes an Accidental Death and Dismemberment (AD&D) provision. In the case of death resulting from an accident, the employee's survivor will receive a payment equal to the policy's principal amount (basically doubling the size of the benefit). Deaths that result from the employee's negligence or that occur while the employee is engaged in war as a combatant are excluded from this coverage.

Employees may supplement the basic coverage. Option A adds $10,000 in coverage, while Option B adds a multiple of 1, 2, 3,4, or 5 to annual basic pay. Under Option B, an employee could conceivably have as much as $750,000 in FEGLI coverage.[14] Option C adds family coverage. Proceeds of FEGLI policies are not taxable as income to the beneficiary. According to the Office of Personnel Management, about 83 percent of all Work Schedule employees have Basic FEGLI coverage. About 33 percent of employees take Option A coverage and nearly 42 percent take Option B. About 22 percent of the employees take the maximum option (a total of six times annual salary). Average coverage for enrolled employees is about $83,000. Table 9 provides a breakdown of this information.

[13] Source: Office of Personnel Management (1997).
[14] This level is possible for an SES executive earning $125,000 and choosing the maximum multiplier under Option B.

Table 9. Extent of FEGLI Coverage, September 2003

Type of FEGLI Coverage	Number of Work Schedule Employees	Percentage of Total Work Schedule Employees
Basic	2,218,925	83.25%
Ineligible	202,872	7.61%
Waived	243,213	9.13%
Standard (Option A)	891,074	33.43%
Family (Option C)	881,912	33.09%
Additional (Option B)	1,115,866	41.87%
Additional X1	131,097	4.92%
Additional X2	168,413	6.32%
Additional X3	157,599	5.91%
Additional X4	66,725	2.50%
Additional X5	592,032	22.21%
FEGLI Unspecified	260	0.01%
Total	2,665,270	100.00%

Source: Office of Personnel Management

Unpaid Compensation

Survivors are paid all unpaid compensation, including a lump-sum payment for unused, accrued annual leave. Unused sick leave is not paid, but is applied in the calculation of a survivor annuity if the employee was enrolled in CSRS.

Recognition of Sacrifice/Employer Liability

If the death occurs as a result of an injury in the performance of duty, the employee's survivors are entitled to tax-exempt compensation under FECA. A surviving spouse will receive 50 percent of the employee's pay at the time of death. If there are also eligible children, the spouse instead will receive 45 percent of the employee's pay and each child will receive 15 percent (to a maximum of 75 percent for the family). When there is no surviving spouse, compensation for the first eligible child is forty percent of pay, with an additional fifteen percent for each remaining child, up to a maximum of 75 percent (the child annuity is divided equally among the children). Compensation for spouses will terminate if the spouse remarries before age 55, but the spouse will receive a lump-sum payment of 24 months' compensation at the time of termination. Children's benefits are terminated under the same conditions as the FERS and CSRS annuities discussed above.

Because survivors cannot receive both a CSRS/FERS annuity and FECA benefits, the survivors must choose one. FECA payments are untaxed and may be more generous than other benefits.

The survivor of a Foreign Service member who dies as a result of injuries sustained in the performance of duty abroad (outside the United States) is entitled to a death gratuity equal to one year's salary of the employee at the time of death provided that the survivor is entitled to elect monthly compensation benefits under FECA.

Law Enforcement Officers

Death benefits for law enforcement officers are provided at several different levels. First, some benefits are provided directly by the officer's employer (e.g., a police department). Second, there are a significant number of death benefits provided by individual states. Third, the Federal government offers additional compensation and education benefits to survivors of those officers killed in the line of duty.

In this section we provide some summary discussion of typical benefits provided to survivors of law enforcement officers. We also offer a state-by-state comparison in Appendix B.

Immediate Income Assistance

Law enforcement officers' survivors may receive a one-time death benefit, ranging in amount from $1,000 to $150,000. This benefit is offered in 34 states, while 16 states offer none. Nearly every state provides a funeral benefit, ranging from $700 to $10,000.

Transition Benefits

Benefits vary by employer and state, but some states offer tax exemptions on some or all of survivor death benefits. Many also provide continued health and dental insurance to survivors.

Counseling services are available nationwide through a nonprofit organization called Concerns of Police Survivors, Inc. (COPS). COPS works with law enforcement agencies, police organizations, mental health professionals and local peer-support organizations to provide assistance to the surviving families of officers killed in the line of duty. COPS also aids survivors in applying for and receiving death benefits.

Almost all states provide heath and dental coverage for survivors, but few states provide tax exemption on all or some death benefits. Various states provide cost-of-living adjustment or allowance benefit. One state (Oregon) provides a mortgage benefit that provides up to 12 monthly mortgage payments

Income Replacement

Nearly every state offers either a pension or retirement plan to survivors. Most states offer an educational assistance benefit to children and spouses. This benefit generally provides (for a limited time) full tuition reimbursement to in-state colleges and universities.

A survivor or beneficiary receives a monthly pension ranging from $50 a month to 25 percent to 75 percent of the employees' final monthly wage. If the employee dies at retirement age, the survivor receives the employee's monthly retirement pension. In some cases the pension will be a larger amount equal to a full disability pension. Most states provide the beneficiary with 50 percent of the deceased member's average final salary.

Unpaid Compensation

There are no special provisions for unpaid compensation, but all employers routinely award any outstanding pay (and often unused leave) to an employee's designated beneficiary.

Recognition of Sacrifice/Employer Liability

Congress established the Public Safety Officers' Benefits (PSOB) Act in 1976 to partially offset the negative impact of the hazards inherent to these jobs on recruiting and retention. Congress was concerned about low levels of state and local benefits. Another objective of the program is to recognize the importance of the dangerous job these public safety officers perform:

> The PSOB Act was designed to offer peace of mind to men and women seeking careers in public safety and to make a strong statement about the value American society places on the contributions of those who serve their communities in potentially dangerous circumstances.[15]

The main benefit is a lump-sum payment to the survivors of public safety officers (law enforcement personnel, firefighters, paramedics) who are killed in the line of duty. The initial payment level was $50,000, but Congress raised the benefit to $100,000 in 1988 and subsequently tied future increases to the change in the Consumer Price Index. The benefit level changed in October 2003 to its current level of $267,494.

The related Public Safety Officers' Education Act (PSOEA) reimburses the educational expenses of surviving children. The Bureau of Justice Assistance within the Department of Justice administers both programs. The Bureau of Justice Assistance also contracts with two nonprofit organizations — COPS and the National Fallen Firefighters Foundation — to provide education to public safety agencies on the programs and to help survivors apply for benefits.

Survivors are also eligible for workers' compensation benefits for line-of-duty deaths. In many jurisdictions, the pension and/or lump-sum benefits are substantially larger if the death was in the line of duty. Police officers in Arlington County, Virginia offer one example. Under changes enacted at the beginning of 2003, survivors of an officer killed in the line of duty receive an immediate benefit equal to two times the officer's annual salary. In addition, they receive a pension annuity as if the officer had worked until normal retirement age. At the time at which the employee would have reached retirement, the annuity reduces to a full survivor annuity. The survivors also receive a $75,000 lump-sum payment from the Commonwealth of Virginia and the PSOB described above.

Firefighters

Death benefits for the survivors of firefighters are similar to those provided to survivors of law enforcement officers. State and local benefits vary. Survivors of firefighters killed in the line of duty are eligible for the same Federal benefits as survivors of law-enforcement personnel.

In this section we summarize typical benefits provided to survivors of firefighters. We also offer a state-by-state comparison in Appendix C.

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[15] Bureau of Justice Assistance (2001), p. 1.

Immediate Income Assistance

Thirty-two states offer a one-time death benefit, ranging as high as $200,000. Typical payments are in the $25,000 to $50,000 range. Almost all states also offer a funeral/burial benefit, usually about $5,000.

Transition Benefits

The National Fallen Firefighters Foundation (www.firehero.org) provides counseling services to the survivors of firefighters who die in the line of duty. Like the law-enforcement group COPS, this foundation assists local departments and individuals in applying for benefits under the PSOB and the PSOEA.

Some states also provide continuing health and dental coverage for survivors. Also, various states offer tax exemptions on some or all death benefits provided to survivors.

Income Replacement

Almost all states (except Nebraska and South Carolina) offer a retirement or pension plan to survivors. Most states also offer educational benefits to children and spouses. Children's educational benefits are not offered in eight states and spouse educational benefits are not available in 22 states. Generally, the education benefit pays all tuition at in-state schools. Children must be under 21 years old at the time of death and spouses must not be remarried.

Unpaid Compensation

There are no special provisions for unpaid compensation, but all employers routinely award any outstanding pay (and often unused leave) to an employee's designated beneficiary.

Recognition of Sacrifice/Employer Liability

Firefighters (including volunteers) are eligible for the same PSOB benefit available to law-enforcement personnel. If firefighters are killed in the line of duty, their survivors receive a lump-sum payment, currently $267,494. The survivors are also eligible for educational assistance. Changes to the governing law in 2003 extended coverage to personnel who die of a heart attack or stroke while on duty. Previously, such a death may not have qualified if a medical review determined that the heart attack or stroke was largely due to inherent health factors.

Survivors are also eligible for workers' compensation benefits for line-of-duty deaths. As is the case for law-enforcement officers, line-of-duty deaths usually result in a larger set of survivor benefits. For example, if a member of the New York Fire Department dies in the line of duty, his survivors receive an ordinary death benefit equal to three times the member's salary plus any contributions made to the pension fund. Additionally, the surviving spouse or children will receive pension benefits equal to 100 percent of the firefighter's final annual salary, adjusted for any Social Security payments.

Similarly, survivors of a Chicago firefighter killed in the line of duty will receive a pension equal to 75 percent of the member's salary until the age at which the firefighter would have been retirement-eligible; after that, the pension drops to 40 percent of salary. The survivors

would also receive a lump-sum benefit that is worth approximately $260,000 (in addition to the Federal PSOB).

Commercial Aircrews

We also examined the survivor benefits provided by employers of commercial aircrews. Aircrews face some additional risks in their jobs from flying, although it is important to note that many insurers do not charge an additional premium for this occupation. To get an idea of typical benefits packages, we looked at those offered by four airlines: United Airlines, Southwest Airlines, SkyWest Airlines and Atlantic Coast Airlines.

Airline death benefits did not appear to differ substantially from the benefits offered by other private employers. The chief benefit is employer-provided life insurance. Most also provide accidental death and dismemberment insurance. Finally, U.S. employees are covered for workers' compensation benefits when the death is job-related.

Immediate Income Assistance

The employers we surveyed did not provide immediate income assistance, although both SkyWest and Atlantic Coast provide automatic AD&D life insurance that gives employees' survivors extra cash ($20,000 and $10,000, respectively) when the death is from an accident (on or off of the job). Additionally, many pilot unions establish mutual aid societies for their members. The members' survivors may receive a one-time death benefit (e.g., $5,000) or the proceeds from an additional life insurance policy.

Transition Benefits

The airlines surveyed do not have specific programs designed to aid survivors during a transition period, but most have employee assistance programs available to employees and their household members.

Income Replacement

Life insurance is the most common death benefit for survivors of aircrew. All of the employers we looked at offer at least a basic life insurance policy, paid for by the employer. Coverage ranges from $10,000 (Atlantic Coast Airlines) to a multiple of salary (Southwest and United Airlines). Employees may also buy supplemental coverage through the group insurance policy.

Unpaid Compensation

There are no special provisions for unpaid compensation, but all employers routinely award any outstanding pay (and often unused leave) to an employee's designated beneficiary.

Recognition of Sacrifice/Employer Liability

U.S. employees are covered by workers compensation programs that vary by state. Survivors of employees killed on the job (or through a job-related illness) may receive a workers' compensation death benefit.

Private-Sector Employees

Private-sector employers offer a wide range of benefits to the survivors of employees who die. The Bureau of Labor Statistics periodically surveys employers to keep track of the incidence of benefits. Their surveys show that life insurance coverage is the most prevalent benefit, followed by AD&D insurance. Few employers offer survivor income benefits (other than vested retirement benefits). Table 10 shows the most recent data on incidence of survivor benefits in private industry.

Table 10. Percent of Workers Participating in Survivor Benefits, by Worker and Establishment

	Survivor Benefits		
	Life Insurance	**AD&D**	**Survivor Income Benefits**
Characteristics			
Total	54	41	2
Worker characteristics:			
Professional/technical/related employees	76	58	3
Clerical/sales employees	52	39	2
Blue-collar/service employees	47	36	2
Full time	65	50	2
Part time	11	8	1
Establishment characteristics:			
1-99 workers	37	24	2
100 workers or more	75	62	3

Source: National Compensation Survey (2000).

Immediate Income Assistance

Table 10 shows that only about two percent of employees in private industry are covered by a survivor income plan. These plans may provide a payment in the form of a flat dollar amount or a factor of the employee's salary. The benefits may be for a fixed period (e.g., 24 months) or tied to a specific event (death of the surviving spouse or remarriage).[16]

Transition Benefits

Accidental Death and Dismemberment insurance is the most common employer-provided benefit in this category. About 41 percent of all employees are covered by this insurance, but the coverage rate is substantially higher (62 percent) for establishments with 100 or more workers. This benefit provides transition assistance by paying an additional benefit, generally equal to the face value of the standard life insurance policy (thus, "double indemnity") when the death is due

[16] Bureau of Labor Statistics (1998), p. 92.

to an accident (i.e., the death was sudden and the survivors did not have time to prepare for the employee's death).

Income Replacement

Virtually all private-sector employees should be covered by the Social Security system. Once a survivor contacts the SSA, he or she will receive a $255 lump sum death payment within 30 to 90 days and other monthly benefits thereafter. The monthly payments are based on the length of time and amount the employee has contributed towards Federal Insurance Contributions Act (FICA).

Table 10 demonstrates that the most common survivor benefit for private-sector employees is life insurance. Over half of all employees receive some sort of life insurance benefit; for establishments with 100 or more workers, the coverage rate is 75 percent.

Table 11 provides some more detailed coverage data for full-time employees of medium and large private establishments. The Bureau of Labor Statistics (BLS) survey data reported here are for 1995; they show that about 29 million employees of these establishments had at least a basic life insurance benefit. Over half (57 percent) received a coverage amount based on a multiple of salary and wages. The rest were covered for a flat dollar amount. Most also had supplemental coverage available, but few (13 percent) required an employee contribution.

Of those employees whose coverage is a multiple of earnings, most (55 percent) have coverage at a multiple of 1.0. Virtually all employees in this category have a multiple between 1.0 and 2.0; the average is 1.4. For those with flat dollar amount coverage, the coverage typically ranges from $5,000 to $25,000, although about 18 percent of professional and technical employees have coverage of at least $50,000. The average flat-dollar coverage is about $22,000, but is nearly $43,000 for professional and technical workers.

Table 11. Life-Insurance Provisions for Full-Time Employees of Medium and Large Private Establishments (1995)

Item	All employees	Prof., tech., & related employees	Clerical and sales employees	Blue-collar and service employees
Number (in thousands) with basic life insurance	29,078	8,721	7,227	13,130
Percent with				
Multiple of earnings benefit	57	74	72	36
Dollar amount benefit	43	25	27	63
Supplemental coverage available	59	71	67	47
Required employee contribution	13	13	16	11
Number (in thousands) with multiple of earnings formula	16,430	6,474	5,237	4,719
Average multiple	1.4	1.5	1.4	1.4
Percent with multiples of:				
< 1.0	4	3	5	3
1.0	55	49	58	61
1.1 – 1.9	13	14	11	13
2.0	20	22	20	16
> 2.0	8	10	6	6
Number (in thousands) with flat dollar amount of insurance	12,375	2,200	1,958	8,217
Average flat dollar amount	$22,281	$42,766	$22,792	$16,560
Percent with dollar amount:				
< $5,000	4	1	2	5
$5,000 – $9,999	17	10	19	19
$10,000 – $14,999	27	34	32	23
$15,000 – $19,999	13	7	10	15
$20,000 – $24,999	14	8	12	17
$25,000 – $49,999	9	13	11	6
$50,000 or greater	6	18	6	3

Source: Bureau of Labor Statistics (1998).

Unpaid Compensation

Unused annual and sick leave is usually paid to an employee's survivors. Additionally, vested contributions to a defined contribution plan (e.g., 401-K) are paid to the employee's designated beneficiary.

Recognition of Sacrifice/Employer Liability

Individual states regulate the workers' compensation programs that cover private-sector employees. Survivors of employees killed in a job-related accident or due to a work-related illness are entitled to a death benefit.

Canadian and British Military Members

We looked at the death benefits provided to survivors of members of the Canadian and British military. Both offer a combination of lump sum and annuity payments to survivors of members who die on active duty. Canadian Forces also offer some transition benefits in the form of relocation expenses and health insurance.

Immediate Income Assistance

Survivors of Canadian military personnel who die on active duty will receive a lump-sum severance payment equal to one week of pay for each year of service. Additionally, the Canadian Forces will pay for funeral and burial expenses. The United Kingdom also pays a lump sum to survivors of active duty members who die. The payment is equal to two times annual pay.

Transition Benefits

Canadian survivors are reimbursed for moving household goods and effects to any location in Canada. They are also eligible for continued health and dental insurance if they are receiving a pension, as explained below under *Income Replacement*.

The UK Ministry of Defence provides casualty assistance through a system that appears to be similar to that employed in the United States. The UK Army, for example, provides assistance through the member's unit and the Casualty Visiting Officer (CVO) system. Continued assistance is available from the Regimental/Corps Headquarters at an appropriate point after the funeral.[17]

Income Replacement

The Canadian Forces provide a Supplementary Death Benefit (SDB) to survivors of members who die on active duty. The benefit is equal to twice the member's annual pay. Members must contribute to the SDB program, but participation is mandatory. Additionally, the survivors are eligible for a benefit under the Canadian Forces Superannuation Act (CFSA). For members with less than five years of service, the CFSA benefit is a lump sum cash termination allowance. Survivors receive one month's pay for each year of service. Spouses of members with over five years of service receive an annual allowance. This annual allowance is equal to the average of five years' pay times years of service divided by 100. An allowance for minor children is equal to one-fifth of the spouse allowance times the number of children (to a maximum of four). Spouses will also receive payments through the Canadian Pension Plan (CPP) after age 65, although the CFSA allowance will be partially offset to account for the additional pension.

Survivors of UK members who die in service are also eligible for a pension. The short-term family pension applies to the surviving spouse and minor children. It is based on the member's pay at the time of death. A long-term pension following a different calculation method becomes effective when the short-term pension expires.

[17] Source: UK Army website (http://www.army.mod.uk/soldierwelfare/aftercare/intro/sw_after_intro_w.html).

Unpaid Compensation

Both nations' military forces will distribute unpaid compensation to the member's estate. The Canadian Defence Force also pays an unused leave entitlement.

Recognition of Sacrifice/Employer Liability

The UK's Army Personnel Centre (APC) is responsible for the assessment of widow(er) pensions and passes all cases to the War Pensions Agency which assesses whether the death was attributable to service. If so, the widow(er) will be awarded a War Widow's Pension and may be eligible to an enhanced Ministry of Defence (MOD) Armed Forces Attributable Family's Pension. Full details of the support provided can be found at Section 3 of the After Care Guide and Part 2 of the Casualty Procedures 2000. Bereavement support is also available from the Federation of Army Widows.

Comparison of Military Benefits with Other Programs

While survivors of active-duty members who die are eligible for a wide array of benefits, there are some significant differences from the other groups with which we compared them. None of the comparison groups are identical to the U.S. military, so strict comparability should not be a goal in evaluating the total benefits package. However, the comparison does highlight some potential areas for improvement.

There is no available empirical evidence linking the level of survivor benefits to recruiting and retention behavior. These benefits are part of total non-cash compensation; as such, improvements in the scope, level or delivery of survivor benefits could have a positive effect on both retention and recruiting. Another important consideration is the potential negative impact of a benefits system that does not measure up to a common standard.

The analysis of benefits offered by other employers showed that, while there is some variation across sectors of the labor market, most employers offer similar types of benefits. Exceptions noted above include law-enforcement and firefighting personnel, who generally receive substantially more generous benefits in the case of line-of-duty deaths. Also, public-sector employers usually offer more generous benefits than do private-sector employers.

This section offers a comparison of the benefits for survivors of active-duty members with the survivor benefits offered by other employers. We pay particular attention to areas in which the military benefits do not appear to match typical benefits provided elsewhere.

Immediate Income Assistance

Military benefits providing immediate income assistance to survivors compare favorably with other employers' benefits. The death gratuity (recently increased from $6,000 to $12,000) and funeral and burial benefits will help the family with higher-than-normal expenses during the period following the member's death.

Other military organizations like Canada's armed forces tie the lump-sum payment to the member's annual pay. One advantage of this approach is that the annuity will keep pace with

military compensation. A disadvantage is that the formula would pay a higher gratuity to survivors of members at higher paygrades. Historically, Congress has determined that the death gratuity is an emergency fund and is effectively unrelated to the member's pay. If DoD would rather maintain a single gratuity amount, the annuity could simply be adjusted annually to reflect the increase in either consumer prices or civilian wages.

Figure 1 illustrates the impact of tying the death gratuity to increases in Basic Pay. Assuming that the latest adjustment to $12,000 was the "correct" level when established at the beginning of FY 2004, we constructed a gratuity level that has grown with Basic Pay since 1984. Note that actual increases occur infrequently. Consequently, the real value of the gratuity declines substantially between adjustments.

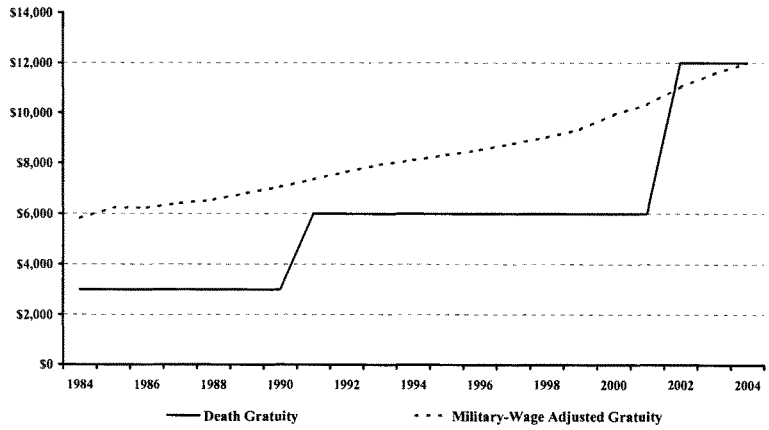

Figure 1. Actual vs. Wage-Adjusted Death Gratuity by Fiscal Year

Transition Benefits

Military transition benefits also compare favorably with those offered by other employers. All Services immediately assign another member as the Casualty Assistance Officer who will help the survivors navigate through the initial period of adjustment after the death of a member. Additionally, survivors receive housing allowance or in-kind housing for a transition period. They are also eligible for reimbursement of moving costs and for continued medical and dental coverage under the TRICARE program.

The array of transition benefits for military survivors are, generally, more extensive than those offered to other survivors. However, there are unique aspects to military service that must be accounted for in this comparison. For example, survivors are more likely to be located away

from what they consider to be their "permanent" homes. The nature of military service may also make it more likely that the death was unexpected, leaving survivors no time prior to the death in which to adjust to changed circumstances.

Income Replacement

Other employers offer a range of income-replacement benefits: lump-sum payments, life-insurance awards or annuities. The survivors of military members who die on active duty may also receive a combination of these payments. Most survivors will be eligible for a combination of SBP and DIC payments. In many cases the SBP annuity will be offset dollar-for-dollar by the tax-free DIC payment.

The DIC/SBP offset is consistent with the benefits offered by other employers. Where more than one annuity is available to survivors, the survivors must generally choose one, or the annuities are sequential (e.g., one annuity commences when another stops). Note, however, that payouts of vested retirement savings from a defined contribution plan are not subject to the same limitations. Contributions to a Thrift Savings Plan, 401-K or other defined contribution plan by the employee are essentially assets of the estate and will be paid to the designated beneficiary regardless of any other payments or annuities.

The SGLI benefit equates to insurance benefits offered by many other employers. Some (like SGLI) are subsidized by the employer, while others are paid in full by the employer. A typical plan might offer a combination of the two, in which the employer pays for a basic level of coverage and offers employees the opportunity to purchase additional coverage.

A key difference between SGLI and almost every other insurance benefit we examined is that SGLI is not tied directly to the member's pay. This has two effects. First, the level of coverage does not automatically keep pace with the level of military pay. Second, the degree of income replacement possible under full SGLI declines as paygrade increases. The upper limit of SGLI coverage is $250,000, regardless of paygrade. FEGLI coverage for civilian employees of the Federal government may be as high as $750,000 under the most extensive optional coverage.

If military members were eligible for FEGLI rather than SGLI, senior members would be eligible for higher levels of insurance, while many enlisted personnel would face substantially lower caps. Table 12 contains a hypothetical illustration for two active-duty members – an O5 at Years of Service (YOS) 18 and an E6 at YOS 14. The O5 could conceivably buy coverage to a maximum of $503,500 under FEGLI. However, the E6 could only purchase $242,000 of insurance. Also, the cost per $1,000 of coverage would be significantly higher under FEGLI.

Table 12. Comparison of SGLI and FEGLI Coverage

	Officer Example		Enlisted Example	
Paygrade	O5		E6	
YOS	18		14	
Annual Pay	$76,676		$33,160	
	SGLI	**FEGLI**	**SGLI**	**FEGLI**
Max. Coverage	$250,000	$503,500	$250,000	$242,000
Max. Coverage as % of Salary	326%	657%	754%	730%
Monthly Premium	$16.25	$75.73	$16.25	$13.65

As we saw earlier in the discussion about the death gratuity, SGLI coverage levels have changed only sporadically over time. The real level of income coverage will decay substantially between adjustments, as illustrated in Figure 2. Again assuming that the latest SGLI coverage adjustment in 2001 set it to the "correct" level, we estimated what the coverage level should have been across fiscal years to provide the same level of income replacement. The 2004 level under an automatic adjustment tied to average Basic Pay increases would be $290,164.

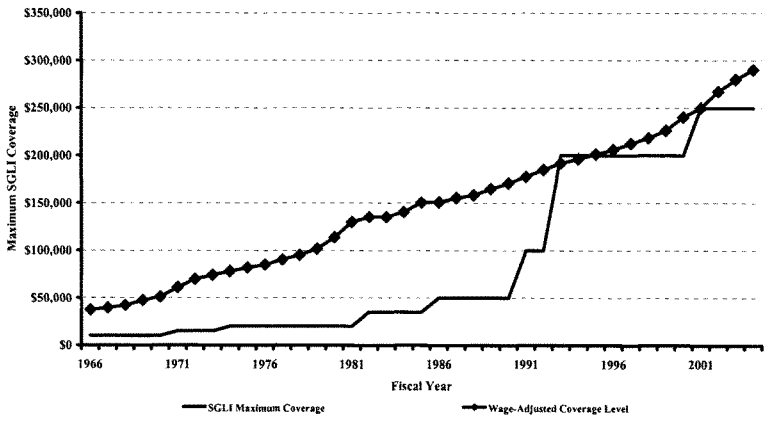

Figure 2. Actual vs. Wage-Adjusted SGLI Coverage by Fiscal Year

Another key difference between SGLI and other employer-provided life insurance benefits is that SGLI participation is voluntary. Many employers provide a basic level of life insurance at no cost to the employee. Employees may opt for additional levels.

A final difference concerns the distinction between line-of-duty deaths and other deaths. Virtually every other type of employee group we looked at receives some sort of additional

benefit if the death is work-related. In many cases, the additional benefit is a workers' compensation death benefit. There is no such distinction for survivors of members who die while on active duty, since all such deaths (with very few exceptions) are considered to be duty-related.

Unpaid Compensation

There do not appear to be any substantive differences across employers regarding payment of the deceased employee's unpaid compensation. Employers pay out remaining compensation immediately.

Recognition of Sacrifice/Employer Liability

Survivors of members who die on active duty receive no additional compensation that is a special recognition of the sacrifice made by members. The Federal government currently provides PSOB benefits to law-enforcement personnel and firefighters killed in the line of duty. The rationale for the PSOB program would appear to apply equally well to members of the Armed Forces who go in harm's way:

> The PSOB Act was designed to offer peace of mind to men and women seeking careers in public safety and to make a strong statement about the value American society places on the contributions of those who serve their communities in potentially dangerous circumstances.[18]

The PSOB program has the following key features:

1. ***Universal coverage*** — all law enforcement, firefighting and paramedic personnel in the United States are covered for line-of-duty deaths.
2. ***No cost to employee*** — the program is not insurance; neither the employee nor his or her employer contributes to the cost of the program benefits.
3. ***Additive*** — the program benefits are not offset by any other benefits the employee's survivors might receive.
4. ***Duty-related*** — the program imposes conditions that the death must be directly related to the employee's job. Not all deaths of employees who are currently working as law-enforcement officers, firefighters or paramedics qualify.

Programs such as the PSOB send a strong positive message to people who are considering careers in law enforcement and firefighting about the value of those professions to society.

Equity of Benefits Compared to Civilians in Similar Situations

Another way to compare survivor benefits is to construct a hypothetical situation in which military members and civilians are all killed, then contrast the benefits provided to survivors. In this case we assumed that an event occurred at the Pentagon in Arlington, Virginia. This event resulted in the deaths of six people:

- an O5 with 18 years of service

[18] Bureau of Justice Assistance (2001), p. 1.

- an E6 with 14 years of service
- a GS-11 Federal government employee with 18 years of service
- a GS-5 Federal government employee with 14 years of service
- a civilian contractor employee
- an Arlington County, Virginia police officer with 15 years of service

Also, we assume that all of these individuals were married with two minor children at the time of death.

We also made two other important assumptions in constructing this comparison. First, we did not include any estimate of awards that survivors might have recouped from a civil suit. Instead, we assume that survivors would have accepted workers' compensation death benefits. Second, we did not factor in any special compensation tied to a specific incident. The Federal government and other organizations have, in the past, provided such special benefits to victims of terrorist attacks (e.g., the September 11, 2001 attacks and the Oklahoma City bombing). These benefits are not part of the usual death benefits package and cannot be anticipated *a priori*.

Appendix D presents a summary of the comparison across death benefit categories. Across all employee types, there are common "life events" that generally change the level of benefits. These include the maturation of dependent children (we have assumed in all cases coverage until age 22); remarriage of the surviving spouse; and the surviving spouse reaching normal retirement age. One exception to this general rule is for workers' compensation. The death benefit for workers' compensation is an annuity paid in monthly installments for roughly ten years.

What this comparison shows is that military death benefits are as good as (or better than) benefits offered to other employees in some categories. In others, however, they fall short. Survivors of the military members would fare well in the area of immediate income assistance, receiving $12,000 tax-free death gratuity, funeral expenses and a Social Security lump sum death payment. The death gratuity for the GS employees would be smaller, and funeral benefits would not be as generous. The contractor employee would receive no death gratuity or funeral expenses. Finally, the Arlington police officer would receive a one-time death benefit of $75,000 from the state of Virginia, and funeral expenses.

Likewise, the military member's survivors would receive a great deal more transition assistance than the other victims' survivors. These benefits include casualty assistance, tax benefits and continuation of certain military benefits (including housing, TRICARE and commissary and exchange privileges). The O-5's survivors would receive $13,956 in BAH; the survivors of the E-6 would receive $10,548. The GS and police officer survivors would also receive tax benefits and health care coverage, but the contractor's survivors are likely to receive neither.[19]

[19] Most company group health insurance policies allow continuation of coverage under COBRA provisions, usually at the survivor's expense.

For income replacement, the military members' survivors would receive DIC payments (tax free) of $17,388 per year; DIC will drop to $11,604 per year when the dependent children are no longer eligible. The O-5's survivors would receive Social Security death benefits of about $36,700 per year (this amount would drop to about $16,000 once the minor children were no longer eligible for benefits). The O-5's spouse would also receive an annuity under SBP, although the annuity is partially offset by the DIC payment. The net SBP payment would be about $20,025 per year. The E-6's survivors would receive the same level of DIC ($17,388/$11,604), but would only receive about $23,000 per year in Social Security payments (dropping to about $9,500 per year once the minor children are no longer eligible). While the E-6's spouse would be eligible for an SBP annuity, the net payment (after DIC offset) would only be about $2,100 per year. Other income-replacement benefits that each will receive include VA educational assistance and a lump sum payment of $250,000 under SGLI.

The survivors of the GS-11 would receive a lump-sum FERS payment of $54,723, a FEGLI award of $107,500 plus an AD&D award of $107,500 and about $32,400 per year in Social Security payments. The GS-5's survivors would receive a FERS lump sum of $40,030. The police officer's spouse would receive an annual pension of $30,030 from Arlington County, as well as a Social Security payment of $30,059 per year. Arlington County-provided life insurance would pay $50,000 to the survivors plus an additional $50,000 under AD&D provisions. The police officer's survivors would also be eligible for educational benefits through the state.

For purposes of comparison, we assumed that the contractor employee earned the same annual salary as the GS-11 ($56,076). The survivors would receive annual Social Security payments of $32,400 per year. Assuming a typical company-provided life insurance policy (coverage at a multiple of 1.4 times annual salary), life-insurance awards would be about $80,000. AD&D coverage would also double this award.

Survivors of military members would receive no additional compensation based on the fact that the deaths occurred on the job. These survivors would have received the same set of benefits if the members had been killed in an automobile accident on the way to the grocery store. The survivors of the GS-11 would receive an annual payment of $47,005 under FECA. Likewise, both the contractor's and the police officer's survivors would receive workers compensation death benefits from their employers. Under the workers compensation rules for the Commonwealth of Virginia, the surviving spouse will receive a payment equal to at least two-thirds of the employee's salary at the time of death. This payment is made for a total of 500 weeks. The payment to the contractor's spouse would be about $37,400 per year; the police officer's spouse would receive about $33,400 per year.

Table 13 shows the cash compensation for each hypothetical employee's survivors. Benefits are grouped by category; the benefit type column denotes whether it is a lump sum or an annuity.[20] We assumed in each case that spouses do not remarry, in order to see what the maximum level of benefits over a lifetime would be. We discount all future-year benefits by 15%; we did not attempt to attach a monetary value to non-cash benefits or tax benefits.

[20] BAH is treated as a lump sum payment even though it is paid in six monthly installments.

Table 13. Comparison of Cash Benefits by Employee Type (Line-of-Duty Death)

	Type	O5	E6	GS-11	GS-5	Contrac-tor	Arlington Cty Police
Employee Characteristics							
Annual Salary		$76,676	$33,160	$62,673	$33,286	$56,076	$50,050
Age		40	32	40	32	40	40
DOB		1964	1972	1964	1,972	1964	1964
YOS		18	14	18	14		15
Spouse Age		38	30	38	30	38	38
Spouse Life Expectancy		45.2	52.4	45.2	52.4	45.2	45.2
Children Age		10.9	8.9	10.9	8.9	10.9	10.9
Immediate Income Assistance							
Death Gratuity	L	$12,000	$12,000	$6,500	$6,500		$75,000
Funeral Benefits	L	$7,150	$7,150	$1,000	$1,000		$11,000
Soc Sec Lump Sum	L	$255	$255	$255	$255	$255	$255
Transition Benefits							
BAH	L	$13,956	$10,548				
Income Replacement							
DIC							
With Children	A	$17,388	$17,388				
Without Children	A	$11,604	$11,604				
Social Security							
Child	A	$1,309	$794	$1,204	$796	$1,155	$1,063
Spouse & Child	A	$1,309	$794	$1,204	$796	$1,155	$1,063
Spouse at Retirement	A	$1,746	$1,059	$1,606	$1,062	$1,540	$1,418
Family Maximum	A	$3,056	$1,928	$2,812	$1,936	$2,697	$2,505
Annual	A	$36,671	$23,136	$33,742	$23,227	$32,358	$30,059
Annual (no kids)	A	$15,708	$9,528	$14,448	$9,552	$13,860	$12,756
Annual 62+	A	$20,952	$12,708	$19,272	$12,744	$18,480	$17,016
Retirement Lump Sum	L			$54,723	$40,030		$100,100
SBP							
Spouse	A	$20,025	$2,074				$30,030
Spouse 62+	A	$8,523	$0				
Life Insurance	L	$250,000	$250,000	$107,500	$64,000	$78,506	$100,000
AD&D Insurance	L			$75,000	$46,000	$78,506	
Recog. Sac./Liability							
Workers' Comp.	A					$37,384	$33,367
FECA							
With Children	A			$47,005	$24,965		
Without Children	A			$28,203	$14,979		
PSOB	L						$267,494
Totals							
Lump Sum Payments		$283,361	$279,953	$244,978	$157,785	$157,267	$553,849
Annuities							
w/ Children		$74,084	$42,598	$80,746	$48,192	$32,358	$30,059
w/o Children		$47,337	$23,206	$42,651	$24,531	$13,860	$12,756
62+		$41,079	$24,312	$47,475	$27,723	$18,480	$17,016
Present Value of Benefits		**$742,760**	**$544,879**	**$766,064**	**$473,697**	**$536,135**	**$1,084,609**
PV as % of Annual Salary		**969%**	**1,643%**	**1,222%**	**1,423%**	**956%**	**2,167%**

The present value of benefits (using our assumptions) provides the equivalent of a total lump-sum benefit and allows for an even comparison across employers. While the military

provides no recognition of sacrifice/liability benefits, other benefits in most cases more than make up for this. The O-5's benefits (PV of about $745K) are close to the benefits for the survivors of the GS-11. The E-6 survivor benefits are smaller than the O-5's ($547K) but are larger proportional to the E-6's final salary.

The police officer's survivor benefits are substantially greater – both in absolute and relative terms – than those available to the survivors of any other group of employees. Most of this difference is attributable to more generous lump-sum benefits; the survivor's annuities are among the lowest, but the lump-sum payments are high — from Arlington County ($100K), the Commonwealth of Virginia ($75K), and the Federal government ($267K) — and in addition to $100K in life insurance.

How do military survivor benefits compare in cases that would not be considered line-of-duty deaths by other employers? Survivors would not receive workers compensation death benefits, AD&D insurance and, in some cases, would receive a lower pension annuity. Additionally, the police officer's survivors would not receive the PSOB benefit or the lump-sum payments from Arlington County or the Commonwealth of Virginia. Table 14 illustrates that, while military benefits are unchanged, each of the other employers provides reduced benefits. The present value of cash benefits in our examples drops to between $253 K (private contractor) to $369 K (GS-11). For most employees, the total level of benefits was cut approximately in half; the Arlington County police officer's survivors, however, would see about a 70% reduction in benefits.

Table 14. Comparison of Cash Benefits by Employee Type (Not Line-of-Duty Death)

Pay Grade	O5	E6	GS-11	GS-5	Contractor	Arlington County Police
Present Value of Benefits	$742,760	$544,879	$369,397	$252,926	$270,008	$310,187
PV as % of Annual Salary	969%	1643%	589%	760%	482%	620%
Reduction in PV from Line-of-Duty Benefits	0%	0%	-52%	-47%	-50%	-71%

Alternative Policy Options

We evaluate five areas in which military death benefits may be changed. They areas follows:

- a separate, automatic benefit that recognizes the inherent danger and sacrifice of a military career (similar to the PSOB provided to law-enforcement officers and firefighters);
- indexing of cash benefits to the military wage level;
- automatic coverage of all members under SGLI at no member cost;
- changes to the SBP program, including the offset for DIC payments, the reduction in annuity at age 62, and conversion to SBP Child coverage if a surviving spouse remarries; and
- dedicated casualty assistance resources.

This section examines alternative solutions that address these areas for improvement. For each option we estimate the additional cost and also summarize the advantages and disadvantages of each.

Costs of death benefits are based on data for the number of survivors currently drawing benefits and on estimates of the annual number of active-duty deaths provided by the DoD Office of the Actuary. Except where noted, we do not attempt to project costs for periods of above-normal hostile-action deaths.

Benefit Recognizing Sacrifice

None of the benefits available to survivors of members who die on active duty recognize deaths directly related to the hazardous nature of military service. The survivors of a member who dies of an illness are eligible for the same benefits as the survivors of a member who is killed in action. Military members are also not eligible for any sort of workers' compensation death benefit. Instead, the survivors benefit package compensates for active-duty deaths at a level that is comparable to the level of benefits that other employers pay in the case of deaths in the line of duty.

Exposure to hostile action is a particular hazard for military members. The Federal government already recognizes a particular hazard for Foreign Service employees who are killed abroad in the line of duty. Their survivors are eligible for a death gratuity equal to one year's salary (in addition to FECA compensation). Likewise, the Federal government pays the PSOB to the survivors of firefighters and law-enforcement personnel killed in the line of duty.

A line-of-duty benefit for the military would give military members headed into harm's way additional peace of mind and send a strong message about the value that society places on military service. Also, such a benefit could conceivably improve recruiting and retention into the military's most hazardous front-line jobs. We have found no empirical evidence of such a relationship, however.

The Federal government could establish a cash benefit identical to the PSOB for members of the military who die as a result of hostile or terrorist actions. This benefit would also be inflation-adjusted. Additional advantages of the benefit would be that it offers universal coverage to all military members; is available at no cost to the member; is additive to other survivor benefits; and is directly related to hazardous military duty.

The chief arguments against such a new benefit are that the current level of benefits is already adequate and comparable to line-of-duty benefits offered to most other workers. Another disadvantage of adding this new benefit is cost. For example, if the members killed in hostile action under Operation Iraqi Freedom (363 hostile-action deaths as of 2 February 2004) had been eligible for this benefit, the cost to the government would have been about $97.1 million ($267,494 * 363). Obviously, costs during a major hostile action could be substantially higher. Table 15 illustrates that costs could vary widely. For a conflict similar to the Persian Gulf War, costs (in today's dollars) would be about $39 million. However, a conflict similar to the Vietnam Conflict (over 47,000 deaths) would result in a benefit cost of nearly $13 billion.

Table 15. Anticipated Cost of Line-of-Duty Benefit for Historical Conflicts

Conflict	Total Hostile Deaths	Benefit Cost ($ Million)
Persian Gulf War	147	$39.32
Vietnam Conflict	47,143	$12,610.47
Korean War	33,741	$9,025.52

Source: Washington Headquarters Service, Directorate for Information Operations and Reports

Another potential problem relates to the restriction of the benefit to deaths due to hostile actions or terrorist attacks. One could argue that other aspects of military service are inherently hazardous (e.g., working on the flight deck of an aircraft carrier, many types of training exercises) and should be included in the benefit. However, expanding the benefit in this manner would undoubtedly increase administrative costs substantially. An expanded benefit would necessitate additional administrative procedures for classifying deaths in a manner in which they are not now classified. This classification might be called "performance-of-duty" deaths.

It is difficult to predict the overhead cost of administering a new pay in which a performance-of-duty determination must be made for each death. However, we can look at the administration of the PSOB program as a starting point. The Office of Justice Assistance has a staff of eight Full Time Equivalent (FTE) employees – budgeted at a cost of $827,000 in 2004 – devoted to the PSOB.[21] The office handled about 250 claims in 2003 and awarded about 200 PSOB payments. If all active-duty deaths were automatically reviewed, the volume of claims would be about 3.5 times the PSOB volume (about 865 deaths per year, excluding extraordinary deaths from hostile actions). Administration costs could easily reach $3 million annually.

Indexing of Cash Benefits

As our previous discussion has shown, two cash benefits – SGLI and the death gratuity – are not indexed to changes in price levels or wages. As a result, the value of the benefits erodes dramatically over time until Congress adjusts the rates.

A system whereby these two benefits were indexed to automatically adjust would be both simpler (no longer requiring legislation for adjustment) and more equitable to survivors. DIC is already indexed in this manner (using the Consumer Price Index). Both SGLI and the Death Gratuity are meant to offset lost income, so a wage index would appear to be more appropriate in this case.

Under the current program, indexing SGLI coverage would impose no explicit cost on the Department of Defense. However, government costs under the "extra hazards" provisions would be higher if average coverage increased. Members could be given the option to "freeze" coverage at a particular level or to have the coverage amount and premiums automatically adjust annually with the average increase in Basic Pay.

[21] Other employees in the office administer the PSOEA and other related programs.

Likewise, the death gratuity was initially enacted as a cash benefit to provide a "bridge" until other survivor benefits became available. It was originally equal to six months' pay. An indexed gratuity could adjust annually with the average increase in Basic Pay and avoid the need to make large adjustments.

The cost of a death gratuity adjustment depends to a certain extent on future military pay raises. The immediate cost (if the gratuity were adjusted for the average Basic Pay increase in January 2004) would be $492 per gratuity. The DoD Actuary estimates that about 865 members die annually. The total additional cost of this change (for FY 2004) would be $425,580.[22]

Minimum No-Cost SGLI Coverage

Most medium- and large-sized employers in the United States offer a basic level of life insurance at no cost to their employees. Military benefits could be brought more into line with private-sector practices by offering some amount of SGLI automatically and at no cost to the member.

A life insurance benefit roughly comparable to private-sector offerings would be somewhere in the range of $50,000 to $100,000. The simplest implementation would be for the Services to simply pay the premium for the automatic coverage, thus preserving other important aspects of the SGLI program (universal coverage without underwriting, conversion of coverage to Veterans Group Life Insurance).

Table 16 illustrates how this option might work. With $50,000 automatic coverage, all members would receive coverage to $50,000 at no cost. They could still opt for coverage up to the current maximum, but the overall cost would fall. Essentially, a member could get $250,000 coverage for the (current) cost of $200,000 coverage. The process is analogous if the automatic coverage is extended to the first $100,000 of coverage. The marginal annual cost of automatic coverage ranges from about $55 million for $50,000 coverage to $110 million for $100,000 coverage.[23]

Table 16. SGLI Premiums with Automatic Coverage

	Annual Premium with	
Coverage Amount	**$50,000 Automatic Coverage**	**$100,000 Automatic Coverage**
$50,000	$0.00	-------
$100,000	$39.00	$0.00
$150,000	$78.00	$39.00
$200,000	$117.00	$78.00
$250,000	$156.00	$117.00
Marginal Annual Cost to DoD ($M)	$55.2	$110.4

[22] This number excludes costs associated with deaths in Operation Iraqi Freedom, which is likely to increase the number of deaths in 2004 above actuarial rates.
[23] Estimate is based on total active strength equal to 1,415,999 as of June 2003.

The chief advantage of this option is that it brings the military life insurance benefit into line with private-sector benefits. There are two potential disadvantages. The first is the cost of the program. The second is that an automatic coverage level could potentially discourage members from selecting the top levels of coverage. However, the program could be managed exactly as it is now (members are automatically enrolled for the full amount, but may elect a lower amount to a minimum of the no-cost coverage).

Changes to the SBP Program

There are three potential changes to the SBP program:

- eliminate the DIC offset
- eliminate the reduction in benefits when a surviving spouse reaches age 62
- amend current law to allow dependent children to receive SBP if a surviving spouse remarries

Survivors of members who die while on active duty may not draw both DIC and an SBP annuity. In practice, the SBP annuity is offset dollar-for-dollar by the amount of the DIC payment. Survivors will generally choose DIC since it is tax-free.

The argument in favor of eliminating the offset is that the two benefits are for different purposes. However, in each case, the government is providing an annuity to survivors of active-duty members. The SBP is, in effect, a disability pension.[24] As such, it compensates the survivors in the same manner that the DIC payment does.

The cost of eliminating the offset would be equal to the number of annual deaths times the expected present value of additional benefits received by survivors. Additionally, the change would affect any survivors currently receiving both DIC and SBP.[25] We were able to estimate the annual cost of this change (i.e., the present value of increased SBP payments accruing to one years' worth of survivors). To do so, we used the OSD Actuary's estimate of the number of active-duty deaths per year; this estimate also includes the ages and life expectancy of surviving spouses. We calculated the difference in the SBP annuity if the DIC offset were eliminated. For each year's new cohort of surviving spouses, the cost would be about $35 million.

Eliminating the reduction in SBP at age 62 is not nearly as expensive as eliminating the DIC offset. Using the same methodology employed for the DIC offset proposal, we estimated the annual program cost of eliminating the reduction at 62 to be about $916 K annually. The argument in favor of this proposal is that the SBP is a benefit earned by the member and should not depend on other benefits that a survivor might receive. However, this argument ignores the fact that the benefit earned is explicitly defined to include the reduction at age 62 because of the surviving spouse's eligibility for Social Security. Other employers use similar provisions, although the offset is sometimes stated as a *supplement* to the normal pension prior to normal retirement age, rather than an offset (reduction) after normal retirement age. For example,

[24] We refer here only to SBP annuities resulting from an active-duty death.
[25] Some of the affected may be survivors of members who died after retirement, and not on active duty.

survivors of FERS annuitants will receive a supplement that expires when they reach eligibility for Social Security benefits.[26]

The final potential change in SBP rules involves coverage for dependent children when the surviving spouse remarries. Amendments to Title 10 enacted in the 2004 NDAA appear to have changed the relevant section of Title 10 of the United States Code such that, if the surviving spouse becomes ineligible to receive SBP for any reason, eligible children will receive the annuity instead.

Dedicated Casualty Assistance Resources

We saw no evidence that survivors are dissatisfied with the level of assistance that they receive from the Services. However, there are at least two aspects of the casualty assistance process that might argue for adapting an approach similar to the Air Force system (Casualty Assistance Representatives assigned to each survivor family). First, Casualty Assistance Officers (CACO, CAO or Family Liaison Officer, depending on the Service) perform their jobs as a collateral duty. They are not experts in the areas of survivor benefits or counseling. Second, survivor families may move away from the military installation to which the member was assigned. Facilities at the family's new location may be harder to get to or simply unfamiliar to the family.

Under the Air Force system, the CARs handle all aspects of the assistance process. They are also responsible for training Family Liaison Officers. If a surviving family moves to a new location, responsibility is transferred to a CAR at the nearest facility to the new location.

Adding dedicated casualty assistance resources at each military location may offer a number of benefits:

- it would create a uniform system of casualty assistance available to survivors at all locations;
- it would reduce collateral responsibilities on CAOs and CACOs; and
- survivors might be able to use other Services' casualty assistance resources if the location is more convenient.

The main cost of this option would be the establishment and funding of casualty assistance positions in centrally located, regional locations to provide a professional CAR staff accessible to all survivors. The Air Force has at least one full-time civilian employee at each location; at larger installations there may be multiple CARs. Also, each location has at least one backup CAR who performs casualty assistance as part (but not all) of his or her duties.

Recommendations and Conclusions

Our analysis examined the benefits available to survivors of military personnel who die on active duty. We found that the Services and other government agencies (e.g., the Department of Veterans Affairs) do a good job assisting survivors in the immediate aftermath of the member

[26] Survivors of FERS enrollees who die while still employed do not receive a similar supplement.

death and during the transition period as the survivors adjust to civilian life. Income replacement benefits are substantial, but could be improved in some areas.

Military survivor benefits do not provide a separate level of benefits in cases that other employers would consider line-of-duty deaths. However, the overall level of benefits in such cases equal or exceed the level of benefits offered by other employers. The sole exception appears to be for line-of-duty deaths of law-enforcement personnel, firefighters and other public safety officers. Primarily because of the PSOB, survivors in these cases often receive substantially larger total benefits.

We were not able to find any evidence in the economics or compensation literature directly linking the level of death benefits to recruiting, retention or performance of personnel. The rationale that we applied in our analysis was that the level of death benefits should

- be comparable to the set of benefits offered by other employers in order to maintain competitiveness
- be easy to understand and avoid needless duplication of benefits
- offer a consistent, predictable level of benefits
- properly reflect the value that society places on military service
- reimburse survivors adequately for the loss of the member

Based on these criteria, we offer the following recommendations to improve military survivor death benefits:

1. We do not believe that a separate benefit analogous to the PSOB is warranted, given the overall adequacy of the military death benefits package and the potentially large cost of such a program. We do note, however, that the rationale Congress applied in establishing the PSOB for law-enforcement officers and firefighters seems to apply equally well to military members.
2. Index SGLI coverage and the death gratuity using the annual average increase in Basic Pay. The increased SGLI coverage option would have no cost to the government, while an initial adjustment to the death gratuity would cost the government $425,580 annually for normal peacetime deaths.
3. Provide $50,000 in SGLI coverage to all members at no cost to the member. This will cost about $55 million annually at current strength levels.
4. Establish full-time casualty assistance positions at every military installation.
5. Maintain the current policy that reduces SBP payments when the surviving spouse reaches age 62.
6. Provide guidance on the proper interpretation of Section 1448(d)(2) of Title 10, United States Code (as amended by P.L. 108-136) to allow SBP Spouse to revert to SBP Child when the surviving spouse remarries.

We do not recommend the establishment of a separate benefit like PSOB payable only for certain types of deaths. The cost of such a benefit would be prohibitive, without any solid evidence of an offsetting benefit. Moreover, the current benefits philosophy that treats all active-duty deaths as line-of-duty deaths appears to provide comparable coverage for all cases.

However, we note that Congress, through the PSOB program, has expressly targeted a set of hazardous occupations (firefighting and law enforcement) as worthy of a separate survivor benefit.

Index SGLI and Death Gratuity

Because SGLI coverage limits and the death gratuity are set in law, substantial erosion in the effective level of benefit can occur between adjustments. We recommend that both programs be changed to include an automatic, annual adjustment based on the average change in Basic Pay. For SGLI, members can be offered the option to automatically index coverage or keep it fixed at a particular level. This change will maintain the effective benefit level for both SGLI and death gratuity without requiring intervention by Congress. The cost of the SGLI indexing would be reflected in the premiums, although the Services would realize an increased cost in the years in which the "extra hazards" provision applies.

Provide $50,000 SGLI to All Members at No Cost

We also recommend government funding of an automatic level of SGLI coverage for all members. Although participation is already very high, with almost all members choosing maximum coverage, most large employers provide life insurance coverage at no cost to the employees. An automatic coverage of $50,000 would be comparable to private sector benefits; we estimate that the annual cost of providing such coverage would be about $55 million.

Establish Full-Time Casualty Assistance Positions

The personnel who handle casualty assistance duties when an active-duty member dies do a commendable job. We saw no evidence of survivor dissatisfaction with casualty assistance. However, only the Air Force has personnel dedicated to casualty assistance (their CARs). Representatives for the other Services perform casualty assistance as a collateral duty. We recommend that the other Services investigate the Air Force model and consider establishing civilian positions at each installation. These representatives could provide dedicated support to survivors as well as training to the members who would continue to act as family liaisons. Additionally, a full-time, dedicated network of casualty assistance experts would increase the likelihood that surviving families that move away from the last duty location will be able to find assistance close to their new homes.

Changes to SBP

Our final recommendation is to maintain the current SBP policy. However, we feel that it would be useful to provide a clear set of guidelines interpreting the sections of the law that pertain to dependent children to show how SBP coverage will revert from SBP Spouse to SBP Child if the surviving spouse becomes ineligible due to marriage. We recommend that the current policies of offsetting SBP payments for any DIC that survivors receive and a reduction in the SBP percentage at age 62 remain unchanged. Both SBP and DIC replace income lost to the family because of a service-connected disability resulting in the death of the member.[27] We found no evidence that other employers provide overlapping benefits in such a manner.

[27] We did not look at the issue of DIC/SBP offsets for survivors of retirees and offer no recommendations in this area.

Moreover, the policy of reducing benefits when the surviving spouse reaches Social Security eligibility appears to be consistent with the practices of other employers, although the differential often appears as a supplement prior to age 62, rather than a reduction after 62.

Conclusions

We found the system of benefits provided to survivors of members who die on active duty to be adequate, substantial and comprehensive. While the military system does not provide increased survivor benefits in cases which other employers traditionally consider line-of-duty deaths, the benefits package is comparable to what other groups of employees receive when a death is in the line of duty.

We identified several areas in which improvements could help make the benefits more comparable to the standard set of benefits offered by other employers. These include indexing of SGLI coverage and the death gratuity to the average annual increase in Basic Pay; establishment of regional casualty assistance offices; provision of $50,000 SGLI coverage at no cost to the member; and changes to the rules governing SBP annuities for spouse and child.

There are two related issues outside the scope of this study that warrant analysis. First, the increasing mobilization of Reservists, particularly during conflicts, may have a significant impact on the costs of survivor benefits programs. Demographically, Reservists are older than active-duty members; consequently, they may die at higher rates and their survivors may receive benefits for shorter periods. It would be useful to evaluate the adequacy of survivor benefits for the survivors of activated Reservists who die.

The second issue deserving further study is the adequacy of survivor benefits for survivors of members who retired with a severe disability and subsequently died as a result of a service-connected illness or injury.

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Appendix A. Text of Sec. 647 of the FY 2004 NDAA

SEC. 647. DEATH BENEFITS STUDY.

(a) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) The sacrifices made by the members of the Armed Forces are significant and are worthy of meaningful expressions of gratitude by the United States, especially in cases of sacrifice through loss of life;

(2) the tragic events of September 11, 2001, and subsequent worldwide combat operations in the Global War on Terrorism and in Operation Iraqi Freedom have highlighted the significant disparity between the financial benefits for survivors of deceased members of the Armed Forces and the financial benefits for survivors of civilian victims of terrorism;

(3) the death benefits system composed of the death gratuity paid by the Department of Defense to survivors of members of the Armed Forces, the subsequently established Servicemembers' Group Life Insurance (SGLI) program, and other benefits for survivors of deceased members has evolved over time, but there are increasing indications that the evolution of such benefits has failed to keep pace with the expansion of indemnity and compensation available to segments of United States society outside the Armed Forces, a failure that is especially apparent in a comparison of the benefits for survivors of deceased members with the compensation provided to families of civilian victims of terrorism; and

(4) while the Servicemembers' Group Life Insurance (SGLI) program provides an assured source of life insurance for members of the Armed Forces that benefits the survivors of such members upon death, that program requires servicemembers to pay for that life insurance coverage and does not provide an assured minimum benefit.

(b) STUDY REQUIRED.—The Secretary of Defense shall carry out a study of the totality of all current and projected death benefits for survivors of deceased members of the Armed Forces to determine the adequacy of such benefits. In carrying out the study, the Secretary shall—

(1) compare the Federal death benefits for survivors of deceased members of the Armed Forces with—

(A) commercial and other private sector death benefits plans for segments of United States society outside the Armed Forces; and

(B) the benefits available under Public Law 107–37 (115 Stat. 219) (commonly known as the "Public Safety Officer Benefits Bill");

(2) assess the personnel policy effects that would result from a revision of the death gratuity benefit to provide a stratified schedule of entitlement amounts that places a premium on deaths resulting from participation in combat or from acts of terrorism;

(3) assess the adequacy of the current system of Survivor Benefit Plan annuities under title 10, United States Code, and dependency and indemnity compensation under title 38, United States Code, and the anticipated effects (if any) of an elimination of the offset of Survivor Benefit Plan annuities by dependency and indemnity compensation payments;

(4) examine the commercial insurability of members of the Armed Forces in high-risk military occupational specialties; and

(5) examine the extent to which private trusts and foundations engage in fundraising or otherwise provide financial benefits for survivors of deceased members of the Armed Forces.

(c) REPORT.—Not later than March 1, 2004, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the results of the study under subsection (b). The report shall include the following:

(1) The assessments, analyses, and conclusions resulting from the study.

(2) Proposed legislation to address the deficiencies in the system of Federal death benefits for survivors of deceased members of the Armed Forces that are identified in the course of the study.

(3) An estimate of the costs of the system of death benefits provided for in the proposed legislation.

(d) COMPTROLLER GENERAL STUDY.—The Comptroller General shall conduct a study to identify the death benefits that are payable under Federal, State, and local laws for employees of the United States, State governments, and local governments. Not later than March 1, 2004, the Comptroller General shall submit a report containing the results of the study to the Committees on Armed Services of the Senate and the House of Representatives.

Appendix B. Summary of Law-Enforcement Death Benefits by State

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Alabama	One-time death benefit payment ranging from $1,000 – $50,000 for the survivors of officers killed in line of duty. Maximum $3,000 funeral expense	Peer Counseling: Concerns of Police Survivors, Inc (COPS)	State Pension Benefits Education benefits State Life Insurance: based on double annual salary figures calculated at double indemnity rate	Alabama Peace Officer's Annuity and Benefit Fund Alabama Peace Officers' Association death benefit Fraternal Order of Police Benefit The 100 Club benefit Alabama Crime Victims Compensation Fund Southern States Police Benevolent Association, Inc. benefit
Alaska	One-time death benefit	Peer Counseling: Concerns of Police Survivors, Inc (COPS) PERS provides major medical insurance coverage Cost of Living Allowances	State Pension Benefits: If survivor remarries, pension is reduced to 50% and 16 2/3% is reverted to dependent childern Education Benefits: provides scholarships through Police Corps Scholarships Funds Tax Benefit State Life Insurance-	Crime Victim Compensation
Arizona	One-time death benefit	Peer Counseling: Concerns of Police Survivors, Inc (COPS) PERS provides major medical insurance coverage	State Pension Benefits Education benefits Personal Life Policy	The 100 club Benefit Victims' Compensation Benefit
Arkansas	One-time death benefit Payment of Claim to Survivors of Certain Officers Killed on Duty-Funds	Health Benefits Peer Counseling: Concerns of Police Survivors, Inc (COPS)	State Pension Benefits Educational Benefits: children and spouse shall be entitled to an eight-semester (8) scholarship Personal Life Policy	Southern States Police Benevolent Association, Inc. benefit Police Corps Scholarship funds

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
California		Health Benefits Peer Counseling: Concerns of Police Survivors, Inc (COPS)	State Pension Benefits Educational Benefits: no fees or tuition of any kind shall be required Personal Life Policy	Scholarships: Peace Officers Research Association of California (PORAC), California Peace Officers Memorial Foundation, And California Correctional Peace Officers Association Victims Assistance Program 100 Clubs exist in some California counties
Colorado[28]	One-time death benefit: 25 to 50 percent of the annual base salary paid to the member immediately proceeding death	Peer Counseling: Concerns of Police Survivors, Inc (COPS) Health Benefits Cost-of-living Adjustments	Educational Benefits: Tuition only is paid for 4 years or 8 semesters to a state funded Colorado college or university. Personal Life Policy	Police Corps Scholarship Funds
Connecticut[29]	One-time death benefit: sum of 7,500 paid within 5 years in equal monthly installments, additional $20 for each dependent. Sum of 4000 to spouse with no dependents, or dependent with no spouse	Peer Counseling: Concerns of Police Survivors, Inc (COPS) Health Benefits Allowances for survivors	State Pension Personal Life Policy	Police Corps Scholarship Funds Private Support Organizations
District of Columbia	One-time death benefit: lump sum equal to the member contributions to pension payments with interest	Peer Counseling: Concerns of Police Survivors, Inc (COPS) Health Benefits	State Pension Tax Exemption For Payments	

[28] Benefits will not be awarded if the member was eligible to retire normally at the time of death. In this case, normal retirement benefits would be paid.

[29] There are no special state benefits for police officers killed in the line of duty, although benefits are provided from other sources, such as unions and the federal government.

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Delaware	One-time death benefit: lump sum equal to the member contributions to pension payments with interest	Health Benefits Peer Counseling: Concerns of Police Survivors, Inc (COPS)	State Pension Tax Exemption For Payments Education Benefits: Free tuition Personal Life Policy	
Florida	One-time death benefit	Peer Counseling: Concerns of Police Survivors, Inc (COPS) Health Benefits for State and Non-State employees Cost of Living Adjustment	State Pension: lifetime monthly benefit equal to one-half of your last monthly salary. Note: shall not lose pension benefits if the spouse remarries Educational Benefit: full waiver of tuition, matriculation and registration fees for a total of 120 credit hours at state community colleges or state universities, Benefits are limited to 12 quarters, 8 semesters, or 8 trimesters. Personal Life Policy	Police Corps Scholarship funds F.O.P. Police Benevolent Association
Georgia	Non-taxable $75,000 if elected in equal installments of $1,250 per month over a five year period, or in a one-time payment this is reduced to its present value of $56,047	Peer Counseling: Concerns of Police Survivors, Inc (COPS) Health Benefits	Educational Benefit: non-repayment grants of up to $2,000 per academic year to eligible Georgia residents who are the dependent children	Additional Assistance: Peace Officers Annuity & Benefit Fund of Georgia, The Hundred Clubs of Georgia, Human Affairs International, Inc., Georgia's P.O.R.C.H., Southern States Police Benevolent Association Scholarship programs: Kid's Chance, Inc., Atlanta Bar Association Police Scholarship Fund, The Burt Reynolds Scholarship Fund, Police Corps Scholarship Fund

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Hawaii[30]	One-time funeral expense of $100	COPS Health Benefits	Monthly Pension	200 Club Police Relief Associations
Idaho	One-time death benefit payment	Health Benefits	State Pension benefits Educational Benefits Personal Life Insurance	Police Corps Scholarship Fund
Illinois	One-time death benefit payment Burial benefit: covers up to $10,000	COPS Health Benefits	Personal Life Insurance Benefits Educational Benefits: hours children, under age 25, and the surviving spouse a waiver of tuition and matriculation and registration fees for a total of 120 credit Personal Life Insurance Police and Firefighters Pension	Fraternal Organizations 100 Clubs Illinois State Lodge FOP Police Corps Scholarship Funds
Indiana	One-time death benefit Line of Duty Death Benefit	COPS Health Benefits Tax Withholding	State Pension Benefits Educational Benefits: dependents under the age of 23 shall not be required to pay tuition or other required fees Personal Life Insurance	1977 Fund Coverage Police Corps Scholarship Funds
Iowa	One-time death benefit	Health Benefits	State Pension Benefits Personal Life Insurance	Trooper Benefits Homicide Victim 910 Victim Restitution
Kansas		Health Benefits COPS	State Pension Benefits Educational Benefit: payment of tuition/fees for eight semesters Personal Life Insurance Optional Group Life Insurance	

[30] No state benefits available.

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Kentucky	One-time death benefit (25,000)[31] Funeral Benefit (up to $200)	COPS Health Benefits	State Pension Benefits Educational Benefit: Free Tuition at state-supported school for survivor of police officer, fire fighter, or volunteer firefighter killed in line of duty- limitation. Personal Life Insurance	Southern States Police Benevolent Association, Inc. Police Corps Scholarship Funds
Louisiana	One-time death benefit	COPS	State Pension benefits Educational benefits: free tuition, books and all other charges.Scholarship will not exceed eight semesters Personal Life Policy	Southern States Police Benevolent Association, Inc.
Maine[32]	Chief's of Police Association: provides one time payment of $2,000	Health Benefits	Educational benefits: Tuition is paid, up to 5 years per child State Payroll	MI-COPS Chapter benefit
Maryland	One-time death benefit Funeral Benefit: provide reasonable funeral expenses up to $10,000.	State Income Tax Benefit Health Benefits COPS Property Tax Credit	State Pension Benefits County Pension Benefits Personal Life policy	Police Corps Scholarship Funds STATE FLAG (4-1003 Annotated Code of Maryland) HEROES, Inc.
Massachusetts	One-time death benefit Funeral benefit: not exceeding $2,000 of funeral	COPS Health Benefits Real Estate Tax Exemption	State Pension Benefits Educational benefits: free tuition Personal Life Policy Group Accidental & Death Insurance	Police Corps Scholarship Funds Crime Victim Reparations Board Minnesota 100 Club

[31] Also offers Discretionary payment (lump sum of 25,000 covers officers who are ineligible for death benefits under pension plan)
[32] No state level benefits are available other than what Social Security or workers' compensation would pay.

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Michigan	One-time death benefit	COPS Health Benefits	State Pension Benefits Educational benefits: waiver of tuition Personal Life Policy	Police Corps Scholarship Funds MPPOA
Minnesota	One-time death benefit Funeral benefits: A funeral benefit of $1,000.	COPS Health Benefits	State Pension Benefits Educational benefits: waiver of tuition, benefit does not extend to colleges outside of Minnesota.	Mississippi State Troopers Association Southern States Police Benevolent Association, Inc. Police Corps Scholarship Funds
Mississippi	One-time death benefit	Health Benefits	State Pension Benefits Educational benefits: Mississippi Law Enforcement Officers and Firemen Scholarship Program: 8 semesters of full scholarship assistance Personal Life Policy	Police Corps Scholarship Funds
Montana	One-time Death Benefit	Health Benefits	State Pension Benefits Educational benefits: University tuition waivers for survivors of deceased law enforcement officers Personal Life Policy	
Missouri	One-time death benefit	Health Benefits	State Pension Benefits Educational benefits: Mississippi Law Enforcement Officers and Firemen Scholarship Program: 8 semesters of full scholarship assistance Personal Life Policy	Police Corps Scholarship Funds

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Nebraska		Health Benefits	State Pension Benefits	
Nevada	Funeral benefit: reimbursable funeral benefit is $5,000	COPS Health Benefits	State Pension Benefit Educational benefits: Free tuition for students at the U. of Nevada Personal Life Policies	Police Corps Scholarship Funds
New Hampshire[33]		COPS Health Benefits	State Pension Benefits	
New Jersey		COPS Health Benefits	State Pension Benefits Educational benefits: tuition paid by the State 8 years following graduation Personal Life Policies	200 Clubs
New Mexico	One time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: scholarship shall be equal to the amount of tuition charged Personal Life Policies	Crime Victims Board compensation Fraternal Order of Police New Mexico Grief Intervention Program
New York	One time state death benefit Funeral Benefit: not to exceed $3,000	COPS Health Benefits	State Pension Benefit Educational benefits: Memorial scholarships for families of deceased police officers and firefighters supplement. Personal Life Policies	

[33] No state benefit is currently available.

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
North Carolina	One time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: offers scholarships to children of law enforcement officers killed in the line of duty Personal Life Policy	Police Corps Scholarship Funds Fraternal Order of Police Southern States Police Benevolent Association, Inc. North Carolina State Law Enforcement Officers' Association North Carolina Law Enforcement Officers' Association
North Dakota	One time state death benefit	Health Benefits	State Pension Benefit: Varies among cities and counties Educational benefits: Free tuition is available Personal Life Policies	North Dakota Peace Officers Association
Ohio		COPS Health Benefits	State Pension Benefit Educational benefits: shall not be required to pay any tuition or any student fee for up to four years of education, which shall be at an undergraduate level. Personal Life Policies	Buckeye State Sheriffs' Association Fraternal Order of Police Ohio Victims of Crime Compensation Program Police Corps Scholarship Funds
Oklahoma	One-time death payment.	COPS Health Benefits	State Pension Benefit Free tuition Personal Life Policies	Oklahoma State Troopers Association Oklahoma State Lodge of the FOP Police Corps Scholarship Funds

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Oregon	One-time death payment- The Public Safety Memorial Fund Board may pay 25,000 Funeral Benefit: up to 3,000	COPS Health Benefits Mortgage Benefit: provides up to 12 monthly mortgage payments	State Pension Benefits Educational Benefits: free tuition and all other fees involved Personal Life Polices	Police Corps Scholarship Funds
Pennsylvania	One-time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: educational gratuity for any child Personal Life Policies	The Pennsylvania State Troopers Association Scholarship Fund Pennsylvania State FOP State Memorial for Law Enforcement
Puerto Rico	A $3,000 Funeral and Burial Benefit	COPS Health Benefits: Municipal Hospital free of charge	State Pension Benefit Educational benefits Personal Life Policies	Duty Weapon and Badge, Burial with Uniform 100 CLUB, Inc. Sistema de Retiro, and the Asociacion de Empleados del E.L.A.
Rhode Island		COPS Health Benefits	Personal Life Policies Educational benefits: Tuition is paid State Pension Benefit	
South Carolina	Funeral Benefit: maximum of $3,000	COPS Health Benefits Property Tax Exemption	State Pension Benefit Educational benefits: College tuition is not charged for 4 years at a state supported college for all children Personal Life Policies	Southern States Police Benevolent Association, Inc. Police Corps Scholarship funds

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
South Dakota		Health Benefits	State Pension Benefit Educational benefits: tuition-free attendance at South Dakota state-supported universities and vocational schools for the surviving children Personal Life Policies	Fraternal Order of Police South Dakota State Lodge Local lodge of the F.O.P. South Dakota Peace Officers Association Police Corps Scholarship funds
Tennessee		COPS Health Benefits	State Pension Benefit Personal Life Policies Educational benefits: The Dependent Children Scholarship Act	Southern States Police Benevolent Association, Inc. Tennessee State FOP Lodge Tennessee State Fraternal Order of Police Police Corps Scholarship funds
Texas	One-time state death benefit Funeral Benefit: up to $2,500	COPS Health Benefits	State Pension Benefit Educational benefits: exempt from tuition/fees Personal Life Policies	Police Corps Scholarship funds
Utah	One-time state death benefit	Health Benefits COPS	State Pension Benefit Educational benefits: exempt from tuition and fees Personal Life Policies	Police Corps Scholarship funds
Vermont	One-time state death benefit	Health Benefits	State Pension Benefit	Police Corps Scholarship funds
Virginia	One-time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: Free tuition and required fees for children and surviving spouses of law enforcement officers. Personal Life Policies	Police Corps Scholarship funds Southern States Police Benevolent Association, Inc. HEROES, Inc. The Virginia Public Safety Foundation

State	Immediate income assistance	Transition Benefits	Income Replacement	Miscellaneous Benefits
Washington	One-time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: Exemption from payment of fees at state universities. Spouses of law enforcement officers.	Police Corps Scholarship funds
West Virginia		Health Benefits	State Pension Benefit Educational benefits	Southern States Police Benevolent Association, Inc. West Virginia Troopers' Association Crime Victims Compensation Act
Wisconsin	One-time state death benefit	COPS Health Benefits	State Pension Benefit Educational benefits: waives tuition and fees for surviving children at various state campuses	Police Corps Scholarship Fund
Wyoming	One-time state death benefit	COPS Health Benefits	State Pension Benefit	Police Corps Scholarship Fund Victim of violent crime

Appendix C. Summary of Firefighter Death Benefits by State

State	Immediate income assistance	Transition Benefits	Income Replacement
Alabama	One-time death benefit: 25,001-50,000 Funeral Benefit: 3,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Alaska	One-time death benefit: 1-10,000 Funeral Benefit: 2,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Arizona	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Arkansas	One-time state death benefit: 75,001-100,000 Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
California	One-time death benefit: 100,001-200,000 Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Colorado	Funeral Benefit: 7,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Connecticut	Funeral Benefit: 4,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
District of Columbia	One-time death benefit: 100,001-200,000 Funeral Benefit: 3,500	National Fallen FireFighters Foundation	Retirement/Pension Plan
Delaware	One-time death benefit: 100,001-200,000 Funeral Benefit: 3,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Florida	One-time death benefit: 25,001-50,000 Funeral Benefit: 5,000	National Fallen FireFighters Foundation Health Insurance	Retirement/Pension Plan Education benefits: spouse Education benefits: children

State	Immediate income assistance	Transition Benefits	Income Replacement
Georgia	One-time death benefit: 50,001-75,000 Funeral Benefit: 7,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Hawaii	Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan
Idaho	Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Illinois	One-time state death benefit: 75,001-100,000 Funeral Benefit: 10,000	National Fallen FireFighters Foundation Health Insurance	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Indiana	One-time death benefit: 100,001-200,000 Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Iowa	One-time state death benefit: 75,001-100,000 Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan
Kansas	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Kentucky	One-time death benefit: 25,001-50,000 Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Louisiana	One-time death benefit: 25,001-50,000 Funeral Benefit: 3,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Maine	One-time death benefit: 25,001-50,000 Funeral Benefit: 4,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Maryland	One-time death benefit: 50,001-75,000 Funeral Benefit: 10,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Massachusetts	One-time state death benefit: 75,001-100,000 Funeral Benefit: 2,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children

State	Immediate income assistance	Transition Benefits	Income Replacement
Michigan	Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Minnesota	One-time death benefit: 100,001-200,000 Funeral Benefit: 15,000	National Fallen FireFighters Foundation Health Insurance	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Mississippi	One-time death benefit-10,001-25,000 Funeral Benefit: 2,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Montana	One-time Death Benefit: 10,001-25,000 Funeral Benefit: 4,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Missouri	One-time death benefit-10,001-25,000 Funeral Benefit: 2,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Nebraska	Funeral Benefit: 6,000	National Fallen FireFighters Foundation	
Nevada	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
New Hampshire	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan
New Jersey	Funeral Benefit: 3,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
New Mexico	Funeral Benefit: 7,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
New York	One time state death benefit: 25,001-50,000 Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children

State	Immediate income assistance	Transition Benefits	Income Replacement
North Carolina	One time state death benefit: 10,001-25,000 Funeral Benefit: 3,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
North Dakota	Funeral Benefit: 6,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Ohio	One-time death payment : 1 - 10,000 Funeral Benefit: 3,200	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Oklahoma	One-time death payment: 10,001-25,000 Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Oregon	One-time death payment- 10,001-25,000 Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Pennsylvania	One-time state death benefit: 50,001-75,001 Funeral Benefit: 3,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Puerto Rico	Funeral Benefit	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Rhode Island	One-time death benefit: 100,001-200,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
South Carolina	Funeral Benefit: 2,500	National Fallen FireFighters Foundation	Education benefits: children
South Dakota	Funeral Benefit: 5,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Tennessee	Funeral Benefit: 7,500	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
Texas	One-time death benefit: 200,000 + Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children

State	Immediate income assistance	Transition Benefits	Income Replacement
Utah	Funeral Benefit: 8,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Vermont	One-time state death benefit: 25,001-50,000 Funeral Benefit: 5,500	National Fallen FireFighters Foundation	Retirement/Pension Plan
Virginia	One-time state death benefit: 50,001-75,001 Funeral Benefit: 10,000	National Fallen FireFighters Foundation Health Insurance	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Washington	One-time death benefit: 100,001-200,000 Funeral Benefit: 2,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: children
West Virginia	Funeral Benefit: 8,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Wisconsin	One-time state death benefit: 25,001-50,000 Funeral Benefit: 6,000	National Fallen FireFighters Foundation	Retirement/Pension Plan Education benefits: spouse Education benefits: children
Wyoming	Funeral Benefit: 2,500	National Fallen FireFighters Foundation	Retirement/Pension Plan

Appendix D. Hypothetical Comparison of Death Benefits Across Employers

	O5 at YOS 18[a]		E6 at YOS 14[b]		GS-11 at YOS 18[c]		GS-5 at YOS 14[d]		Contractor Employee[e]		Arlington County Police Officer at YOS 15[f]	
Immed. inc. assistance	Death Gratuity	$12,000	Death Gratuity	$12,000	Death Gratuity	$6,500	Death Gratuity	$6,500			State Lump Sum	$75,000
	Funeral Benefits	$7,150	Funeral Benefits	$7,150	Funeral Benefits	$1,000	Funeral Benefits	$1,000			Funeral Benefits[g]	$11,000
	Soc. Sec. Lump Sum	$255	Soc. Sec. Lump Sum	$255	Soc. Sec. Lump Sum	$255	Soc. Sec. Lump Sum	$255	Soc. Sec. Lump Sum	$255	Soc. Sec. Lump Sum	$255
Transition Benefits	Casualty assistance		Casualty assistance								COPS	
	Tax Ben.		Tax Ben.		Tax Ben.		Tax Ben.				Tax Ben.	
	TRICARE		TRICARE		Health Care		Health Care				Health Care	
	Comm./Ex. Privileges		Comm./Ex. Privileges									
	ID Card		ID Card									
	BAH[h]	$13,956	BAH[i]	10,548								
Income Replacement	DIC	$17,388 /year	DIC	$17,388 /year							Retirement[j]	$30,030 /year
	VA Educ. benefits	N/A	VA Educ. benefits	N/A	AD&D Insurance	$107,500	AD&D Insurance	$64,000			Education Benefits	N/A
	Soc. Sec. Payments	$36,671 /year	Soc. Sec. Payments	$23,136 /year	Soc. Sec. Payments	$32,358 /year	Soc. Sec. Payments	$23,277 /year	Soc. Sec. Payments	$32,358 /year	Soc. Sec. Payments	$30,059 /year
	Survivor Benefit Plan	$20,025 /year	Survivor Benefit Plan	$2,074 /year	FERS lump sum	$54,723	FERS lump sum	$40,030	AD&D Insurance	$78,506	AD&D Insurance	$50,000
	SGLI	$250,000	SGLI	$250,000	FEGLI[k]	$107,500	FEGLI[k]	$64,000	Life Ins.[l]	$78,506	Life Ins.	$50,000
Rec. of Sacr./Emp. Liability					FECA	$47,005 /year	FECA	$24,965 /year	Workers Comp.	$37,384 /year	Workers Comp.	$33,367 /year
											PSOB	$267,494
											Arlington Lump Sum	$100,100

[a]Annual Salary = $76,676, DOB: 1964
[b]Annual Salary = $33,160, DOB: 1972.
[c]Annual Salary = $62,617, DOB: 1964.
[d]Annual Salary = $33,286, DOB: 1972.
[e]Annual Salary = $56,076, DOB: 1964.
[f]Annual Salary = $50,050, DOB: 1964.
[g]http://www.cardinalacademy.org/Reports/death.htm
[h]Rate for Washington DC is $2,326 monthly.
[i]Rate for Washington DC is $1,758 monthly.
[j]http://www.co.arlington.va.us/retirement/pdf_chapter46/duty_death_benefits.pdf
[k]http://www.opm.gov/calculator/worksheet.asp
[l]Amount equal to 1.4 times annual earning

Senator CHAMBLISS. Okay. We're going to leave the record open. I, too, have some written questions that we want to submit to you, and we would ask you to expedite your answers and get them back to us. I don't think you're going to find them particularly difficult questions, but we do want to make sure we get the record complete.

Gentlemen, thank you very much for your service to our country. We appreciate the good work you do and thanks for being here today. We'll ask that our third panel come forward and have a seat at the table.

Our final panel this afternoon includes representatives of The Military Coalition (TMC) and the American Legion. We welcome Joyce Wessel Raezer, Director of Government Relations for the National Military Family Association (NMFA) and co-chair of the Personnel Compensation and Commissary Committee of TMC. It is always good to see you.

We also have with us Dr. Sue Schwartz of the Military Officers Association of America (MOAA) and co-Chair of TMC Health Care Committee. Dr. Schwartz, again, we welcome you back.

Next, we have Master Sergeant Michael P. Cline, USA Retired, Executive Director of the Enlisted Association of the National Guard of the United States, and co-chair of TMC. Mr. Cline, welcome.

Fourth, we welcome Deirdre Parke Holleman, Legislative Director of the Retired Enlisted Association and co-Chair of TMC's Survivors Committee. We welcome you, Ms. Holleman.

Finally, we have Colonel Dennis M. Duggan, USA Retired, Deputy Director, National Security Foreign Relations Division, the American Legion. Ladies and gentlemen, a joint statement of TMC will be included in the record of this hearing as well as individual statements which have been received from each of you. I invite each of you to present a summary of your testimony if you so desire, and Ms. Raezer, we'll begin with you. Again, welcome.

STATEMENT OF JOYCE WESSEL RAEZER, DIRECTOR, GOVERNMENT RELATIONS, NATIONAL MILITARY FAMILY ASSOCIATION

Ms. RAEZER. Thank you, Mr. Chairman. It's nice to be here today. Mr. Chairman, TMC, an umbrella organization representing 35 military-related associations, thanks you for the opportunity to present testimony on the wide variety of issues facing active and Reserve component personnel, retirees, their families, and survivors. We also thank you for your leadership in ensuring these service members are adequately compensated, that quality of life programs supporting the military community remain strong, and that benefits for retirees and survivors reflect the promises made to them.

A detailed discussion of personnel issues affecting today's force is contained in TMC's written statement, as well as statements submitted by individual associations.

My task today on the panel is to summarize the variety of compensation and quality of life issues affecting active duty service members and their families. Because of the range of issues facing

today's family force and the time I have, this will be a very concise summary.

Compensation. The Coalition thanks the subcommittee for its leadership in securing a 3.7 percent across-the-board pay raise for members of all uniformed Services in fiscal year 2004, with targeted raises for certain ranks. We also thank you for ensuring that pay raises after 2006 will be set at the level of the employment cost increase. We thank Congress for extending last year's increases in imminent danger pay and the family separation allowance (FSA) through December 2004.

We urge you to make these increases permanent and to ensure that the amount provided for FSA is the same for all eligible service members. FSA is not combat pay. Expenses families incur when the service member is assigned away from home, whether in Iraq, Afghanistan, Korea, or on a ship in the Pacific, are not based on the service member's assignment location. To the family, gone is gone.

The Coalition is aware that DOD is working on new pay proposals. We hope these proposals will reflect the importance of predictability and equity in a pay structure in addition to including targeted compensation tools to retain the well-trained force it needs.

We encourage you to direct DOD to provide its vision of an optimal pay table as part of its plan for compensation reform. We also hope that DOD is taking tax equity issues into account when determining its strategy for pay and allowances.

The Coalition appreciates congressional interest in whether the Services have sufficient personnel to perform ever-increasing missions. Longer and more frequent deployments are indications that the force is stretched too thin. The Coalition believes that increases in end strength, while not immediately reducing the burden borne by today's force, send the promise that help is on the way. We note, however, that increased end strength achieved through stop loss will not reduce the strain on the force.

Because today's force is stretched too thin, military families are also stretched too thin. Family support programs in many places are improving and new programs such as the Military OneSource will make more support resources available. However, families say more professional backup is needed for the volunteers who are still carrying the largest load and are on the front line of family support. Still more needs to be done to support our isolated Guard and Reserve families and to meet the needs of our families with special needs.

The lack of predictability in today's military life adds to the stress felt by service members and families. Now more than ever the military community needs its strong quality of life programs, commissaries, DOD schools, child care, military exchanges, and MWR programs. We also thank this subcommittee for its leadership in ensuring that our Guard and Reserve members have unrestricted access to one of those key benefits, the commissary. We appreciate the Defense Commissary Agency's (DeCA) efforts to implement that benefit immediately when it became law. You opened the door to commissary access and DeCA indeed rolled out the welcome mat.

The Coalition encourages the subcommittee to maintain or increase the current level at appropriated funds to the commissary to protect that benefit and to ensure that commissaries' important contribution to the quality of life of military communities are not closed, and to continue to emphasize the importance of increasing beneficiary savings over the adoption of pricing formulas that could negatively affect those savings. We also ask that you monitor the initiative to consolidate the military exchanges closely.

We ask that you please assist DOD in furthering the quality education for military children, whether they're in DOD schools or civilian schools, by ensuring that they have the resources they need to meet the challenges that come with deployments, Base Realignment and Closure (BRAC), other military realignments, military housing privatization, or other military policies and procedures.

We also ask you to evaluate carefully any proposals to transfer control of DOD domestic schools to local civilian education agencies and appreciate your interest in that subject. We applaud DOD's efforts to work with civilian school officials to promote quality education and initiatives such as the new military student Web site that DOD has launched to provide more information to parents, commanders, and educators about issues affecting military children.

We also encourage DOD efforts to improve military spouse career progression. These efforts include a partnership with the Department of Labor that we find very promising.

Mr. Chairman, the concern you and other members of this subcommittee have expressed today sends an important message to service members and their families. Congress understands the link between military readiness and the quality of life of the military community. Strong families ensure a strong force. Thank you for your role in keeping our families and force strong. Thank you. Now, Dr. Schwartz will talk about health care.

[The prepared statement of Ms. Raezer follows:]

PREPARED STATEMENT BY JOYCE WESSEL RAEZER

Mr. Chairman and members of this distinguished subcommittee, the National Military Family Association (NMFA) would like to thank you for the opportunity to present testimony on quality of life issues affecting service members and their families. NMFA is also grateful for your leadership in the 1st Session of the 108th Congress in securing the inclusion of several key provisions in the National Defense Authorization Act (NDAA) for Fiscal Year 2004. These provisions include:

- 3.7 percent across the board pay raise for members of all the uniformed services, plus targeted raises
- Indexing future pay raises to the Employment Cost Index
- Increasing Basic Allowance for Housing (BAH) funding to cover all but 3.5 percent average out-of-pocket costs for rank-based standard of housing
- Maintaining Family Separation Allowance (FSA) at $250 per month and Imminent Danger Pay (IDP) at $225 per month through December 2004
- Enacting enhancements to TRICARE Standard and National Guard and Reserve health care
- Authorizing unrestricted commissary access for National Guard and Reserve members and their families
- Authorizing full replacement value reimbursement for household goods damaged in military Permanent Change of Station moves
- Clarifying that military chaplains may use appropriated funds to pay family members' expenses for command-sponsored, chaplain-lead marriage and family conferences and training

- Authorizing $35 million for civilian schools educating large numbers of military children (includes $5 million for schools educating severely-disabled military children)

As a founding member of TMC, NMFA subscribes to the recommendations contained in the Coalition's testimony presented for this hearing. In this statement, NMFA will expand on a few of the issues before this subcommittee today:

- Pay and allowances
- Health care
- Family support, including the unique needs of Guard and Reserve families
- Education for military children
- Commissaries and exchanges
- Base Realignment and Closure (BRAC)

As you consider the quality of life needs of service members and their families this year, NMFA asks that you remember that the events of the past 2 years have left this family force drained, yet committed to their mission. Service members look to their leaders to provide them with the tools to do the job, to enhance predictability, to ensure that their families are cared for, their spouses' career aspirations can be met, and their children are receiving a quality education. They look for signs from you that help is on the way, that their pay reflects the tasks they have been asked to do, and that their hard-earned benefits will continue to be available for themselves, their families, and their survivors, both now and into retirement.

PAY AND ALLOWANCES

Service members and their families appreciate the dramatic improvements in military compensation achieved over the past several years. The combination of across-the-board raises at the level of the Employment Cost Index (ECI) plus .5 percent and targeted raises for certain ranks have improved their financial well-being. The 5-year plan, ending in fiscal year 2005, to increase BAH has been especially beneficial for military families living in high cost-of-living areas. Service members also look forward to the implementation of the special deployment payments included in the NDAA for Fiscal Year 2004 that will provide up to $600 per month, based on both longevity and frequency of deployments. They wonder, however, whether time already spent on deployment prior to the law's enactment will count toward receipt of the payment.

Family Separation Allowance

Military members and their families were most grateful to Congress last year for including increases in FSA and IDP in the fiscal year 2003 Supplemental Appropriations bill. They were relieved when these increases were authorized to continue through December 2004 in the NDAA for Fiscal Year 2004, yet alarmed at the debate over the FSA, which occurred last fall. NMFA understands that the Department of Defense (DOD) is looking at the wide range of pays and allowances in order to determine their proper mix and use. We believe, however, that the amount of FSA must remain the same for all eligible service members, no matter where they are deployed. FSA is not combat pay—it is paid in recognition of the additional costs a family faces when a service member is deployed. It helps pay for the additional long distance phone calls the deployed service member and family make; it pays for the car or home repairs the service member performs when at home; it pays for the tutoring a child needs when the family chemistry or algebra expert is deployed. These costs are not incurred just by the families of service members in a combat zone: whether the service member is in Iraq, Afghanistan, on a ship in the Pacific, or on an unaccompanied tour in Korea, to the family, "gone is gone!."

NMFA must also note that, while families of deployed service members face similar costs of separation no matter where the service member is deployed, other pay and benefits change drastically. Service members deployed to certain combat zones not only receive IDP and other combat-related pays, but also are entitled to certain tax advantages. Service members in other locations, such as Korea or on board ships outside combat zones, do not receive the same tax advantage. Thus, their families have similar expenses to meet with less income. To these families, last year's increase in FSA was an especially welcome relief to tight family budgets.

NMFA asks this subcommittee to ensure that the amount of FSA remains the same for all eligible service members. NMFA also asks the subcommittee to consider indexing the FSA to inflation so that we do not have to wait for another war for this allowance to be increased again.

Basic Allowance for Housing

As we come to the final year of the funding initiative that has substantially bought-down average out-of-pocket housing costs, NMFA asks this subcommittee to help address other issues related to the BAH. The issue of the housing standard on which the BAH is calculated is described in The Military Coalition's (TMC) written statement. NMFA joins the Coalition in recommending that this housing standard be revised.

A second issue involves the rate protection put into effect during the first year of the increased BAH funding. Originally, DOD planned to adjust BAH up or down depending on the housing costs in an area. If housing costs declined in the area according to an annual survey done by a DOD contractor, then BAH would decline for service members new to the installation. Service members already at the location would be grandfathered in at the old, higher rate. If BAH increased, all service members at the location would receive the increase. After the first survey figures proved incomplete or inaccurate for some of the communities designated for reductions in BAH, DOD instituted rate protection, which kept BAH from decreasing at any location. Rate protection both for individuals and locations has been in place since 2001 at installations where housing costs have declined. DOD has stated it will end rate protection after the 2005 BAH increases; BAH rates for the area surrounding the installations will then reflect the increases and decreases of the rental housing markets. Individual rate protection will continue, however. NMFA is concerned that the end of rate protection, while reasonable in ensuring that BAH accurately reflects local housing costs, could potentially disrupt both private housing markets and the military housing privatization projects that depend on BAH as their revenue stream.

If DOD decides to end rate protection, NMFA believes it must have a plan in place to ease the transition to lower rates in the affected communities. This plan must ensure BAH does not drop significantly in any 1 year for certain ranks, accurate housing costs surveys continue to be made, and BAH disparities between service members new to the installation and those who currently there are not too large.

Military Allowances and Safety Net Programs

In testimony in June 2003 before this subcommittee and the Children and Families Subcommittee of the Senate Health, Education, Labor and Pensions Committee, NMFA highlighted a longstanding frustration for military families: the confusion involved in how and when military allowances are counted for tax purposes or to determine eligibility for military and civilian programs. We presented the following matrix showing how the treatment of BAH results in confusion for families and disparities as they move from one assignment to another and from on-base to off-base housing.

BASIC ALLOWANCE FOR HOUSING (BAH) AND PROGRAM ELIGIBILITY

Program	Value of Government Quarters	Privatized Military Family Housing (BAH included on Leave and Earnings Statement)	BAH
Earned Income Tax Credit (EITC).	Excluded	Excluded	Excluded
Food Stamps	Excluded	Included	Included
WIC (USDA)	Most states exclude	Most states exclude	Most states exclude
WIC Overseas (DOD)	Excluded	N/A	Excluded
DOD Family Supplemental Subsistence Allowance (FSSA).	Included (adds in amount of BAH service member would have received).	Included	Included
National School Lunch Program (USDA).	Excluded	Excluded	Included
DOD Overseas Student Meal Program.	Excluded	N/A	Excluded
Head Start Program	Excluded	Included	Included
Supplemental Security Income (SSI).	Excluded	Excluded	Included
DOD Child Care Fees	Includes BAH II (not geographically-based BAH).	Includes BAH II (not geographically-based BAH).	Includes BAH II (not geographically-based BAH)

As can be seen in the matrix, BAH is not even consistently treated under DOD programs. The eligibility puzzle has grown more complicated in recent years as the military services have begun to privatize military family housing. The promise of

privatization is that the Services will be able to upgrade their housing stock at a faster pace using private capital than by relying on the military construction process. By law, when housing is privatized, service members must be paid BAH. The inclusion of the BAH on their Leave and Earnings Statement (LES) makes it appear that a family's income has increased, even though they are living in the same house and the BAH is immediately paid out as an allotment to the developer as rent. Legislative changes have now exempted BAH received by service members in privatized housing from eligibility calculations for free and reduced lunch and regulatory relief has been provided by the Social Security Administration to protect families' eligibility for Supplemental Security Income (SSI) when their housing is privatized.

While the protection of the status quo in determining eligibility for free and reduced lunches and SSI is a boon to families living in privatized housing, these changes exacerbate disparities experienced by military families based on where they live. Often, whether or not families live on the installation in government quarters or privatized housing is determined by chance, by the availability of housing, or the length of the waiting list, and not by choice. Young families most in need of government housing are often forced to seek housing on the economy because there is not enough junior enlisted housing available on the installation. Their BAH, however, usually does not cover their housing costs because the standard on which BAH is based is not the same as the standard used to determine the size home service members receive when in government quarters. Service members lucky enough to receive either government quarters or privatized housing on an installation obtain the appropriate size housing for their family size and, because the value of their government housing does not count toward eligibility for most safety net programs, they find it easier to qualify. Families in privatized housing by law may be charged no more in rent than their BAH, thus limiting their out-of-pocket costs. Thus, families living on-base with fewer expenses qualify for additional support programs while families living off-base with higher housing and transportation expenses do not.

NMFA urges members of this subcommittee to assist in bringing a sense of order to how military allowances are counted in Federal programs to ensure equitable access to these safety net services. We also ask you to help protect families against disruptions in benefit eligibility caused by the receipt of deployment pays. No family should have to face the prospect of losing valuable benefits for a disabled child because a service member has received deployment orders, nor because they do not forfeit their military housing allowance to live in government housing. Ideally, NMFA believes tax free allowances such as BAH should not be counted under any safety net programs, which is how they are now treated in determining eligibility for the Earned Income Tax Credit (EITC). NMFA understands this could increase the number of military families eligible for some of these programs, but believes this is justified given the loss of spouse income due to military relocations and high operations tempo and the need for equitable treatment of all service members. NMFA also encourages Members of Congress to raise awareness of this issue with State leaders. Military allowances also make it difficult for military families to qualify for some state safety net programs.

Inconsistent treatment of military allowances for tax purposes and in determining eligibility for safety net programs creates confusion and can exact a financial penalty on military families. A start in correcting this inequity would be to adopt a common standard in how BAH should be counted in eligibility formulas and to ensure that the receipt of deployment-related allowances do not cause military family members to become ineligible for support services for which they would otherwise be eligible.

HEALTH CARE

This year, NMFA is focused on health care transition issues: the transition to the new TRICARE contracts, Guard and Reserve family members' transition to the TRICARE benefit when the service member is called to active duty, and the transition that occurs during the return and reunion process as service members and their families adjust to the end of a deployment.

Transition to New TRICARE Contracts

NMFA's concerns during the transition to the new TRICARE contracts revolve around the ability of families to access care in a timely manner and to have continuity of care. We are particularly concerned that information regarding any changes in the manner in which they access care will be communicated during the normal summer permanent change of station (PCS) rotation. A family may need information regarding changes that would affect them while in the moving process and at

their new duty station, when in fact they are sent information regarding the changes at their current duty station.

NMFA is also concerned about the preservation of patients' continuity of care and the availability of that care in medical treatment facilities (MTF) relying on resource sharing contracts with the TRICARE managed care support contractors to supply certain key personnel. These arrangements end on the day health care delivery begins under the new TRICARE contracts, as the responsibility for them shifts from the TRICARE contractor to the MTFs. NMFA is pleased that DOD has offered MTFs the opportunity of a bridge process to work with outgoing and incoming contractors to keep resource sharing providers in place until establishing their own arrangements. This bridge will preserve continuity of care for the patients, as well as access to care. Unfortunately, NMFA has heard that some MTFs are not taking advantage of this bridge option and are looking at other contracting options that will not preserve the continuity of care and access currently enjoyed by patients. The relationships resource sharing personnel have developed with patients in places such as Madigan Army Medical Center, where the pediatric clinic is staffed entirely by resource sharing, should not be severed abruptly at a time when this continuity of care is needed most.

In addition to following issues of timely access and continuity of care as the new TRICARE contracts stand up, NMFA is closely watching the simultaneous implementation of a new program, the Extended Care Health Option (ECHO). The ECHO program, incorporating changes included in the NDAA for Fiscal Year 2002, replaces the current Program for People with Disabilities (PFPWD) and is coming on-line at the same time as current TRICARE regions transfer into the new three regions. The new program has increased benefits for active duty families, but it also has different requirements. Since ECHO is to be implemented as current regions transition into the new regions, families newly enrolled in ECHO may find themselves transferred to a region that has not yet transitioned. What will be the status of these ECHO families? Will they lose their new ECHO benefits until the region where they now live is transitioned? Will they need to re-enroll in the PFPWD?

It appears to NMFA that for these concerns to be adequately addressed each MTF must have a business plan fully integrated into the regional business plan several months before the transition is to take place. Yet, two of the three regions do not currently have a Director. NMFA has been informed that the management of care in the ECHO program will be primarily a contractor responsibility. Not only do the new contractors have to transition these often very complicated cases, but must inform the families of the new benefits and new requirements of the program. However, contractors have not yet received the contract modifications necessary to implement the program; the Final Rule implementing ECHO has not yet been published in the Federal Register. The smooth transition of these very vulnerable families from one program to the other as each current region is absorbed into one of the new three regions is vital to the well-being of the family and the ability of service members to perform their missions. NMFA is aware that some contractors are going above and beyond to assist with transitions; however, the level of cooperation is not the same in all areas.

When each of the current twelve regions started delivery of services, significant problems for beneficiaries developed. Over the ensuing years, most of the problems have been identified and corrected. The acceptance of, and satisfaction with, the Health Maintenance Organization (HMO) piece of TRICARE, TRICARE Prime, has steadily increased among beneficiaries. The transition to the new contracts must not put TRICARE once again at the top of concerns at beneficiary forums. Just as service members are stretched thin with repeated deployments and time away from home, families are under increased stress. Problems accessing health care or difficulty in obtaining accurate information on how to do so should not be an additional part of this equation.

Guard and Reserve Health Care

NMFA is grateful to Congress for its initial efforts to enhance the continuity of care for National Guard and Reserve members and their families. Unfortunately, as discussed in TMC's statement, the temporary health care provisions enacted in the NDAA for Fiscal Year 2004 have not yet been implemented. NMFA is grateful to this subcommittee for its leadership in directing DOD to establish Beneficiary Counseling and Assistance Coordinator (BCAC) positions specifically charged with supporting National Guard and Reserve members and their families with their transition to TRICARE. We believe that information and support are improving for Guard and Reserve families who must transition into TRICARE; however, we believe that going into TRICARE may not be the best option for all of these families. Guard and Reserve service members who have been mobilized should have the same option as

their peers who work for the DOD: for the DOD to pay their civilian health care premiums. The ability to stay with their civilian health care plan is especially important when a Guard or Reserve family member has a special need, a chronic condition, or is in the midst of treatment. While continuity of care for some families will be enhanced by the option to allow Guard and Reserve members to buy into TRICARE when not on active duty—if ever implemented—it can be provided for others only if they are allowed to remain with their civilian health insurance. Preserving the continuity of their health care is essential for families dealing with the stress of deployment.

Post Deployment Health for Service Members and Families

The Services recognize the importance of educating service members and family members about how to effect a successful homecoming and reunion and have taken steps to improve the return and reunion process. Information gathered in the now-mandatory post-deployment health assessments may also help identify service members who may need more specialized assistance in making the transition home. Successful return and reunion programs will require attention over the long term. Many mental health experts state that some post-deployment problems may not surface for several months after the service members' return. NMFA is especially concerned about the services that will be available to the families of returning Guard and Reserve members and service members who leave the military following the end of their enlistment. Although they may be eligible for transitional health care benefits and the service member may seek care through the Department of Veterans' Affairs (VA), what happens when the military health benefits run out and deployment-related stresses still affect the family? As part of its return and reunion plan, the Army's OneSource contract will help returning service members and families access local community resources and to receive up to six free face-to-face mental health visits with a professional outside the chain of command.

Post-deployment transitions could be especially problematic for service members who have been injured and their families. These service members have received excellent care through military hospitals. In many cases, their families have also received superior support services through the hospitals' Family Assistance Centers. NMFA has heard nothing but praise for the Family Assistance Center at Walter Reed Army Medical Center, where most of the most severely-injured service members have been sent. Family Assistance Center staff have provided the additional support their families have needed as they begin the adjustments to changes brought by the service members' injury. Wounded service members have wounded families and, just as it will take some time for service members physical wounds to heal, it will take time for the emotional wounds to heal. The medical handoff of the service member to the VA is steadily improving and the VA and DOD are working well together to improve the service members' continuity of care. Ensuring the handoff to the VA or community-based support services needed by the wounded families is just as important.

The new round of TRICARE contracts must provide standardized ways to access health care across all regions and emphasize providing continuity of care to beneficiaries during the transition from old to new contracts. Families of Guard and Reserve members should have flexible options for their health care coverage that address both access to care and continuity of care. In addition, accurate and timely information on options for obtaining mental health services and other return and reunion support must be provided to families as well as to service members.

FAMILY SUPPORT

Since our testimony before this subcommittee last year, NMFA is pleased to note the Services continue to refine the programs and initiatives to provide support for military families in the period leading up to deployments, during deployment, and the return and reunion period. NMFA remains concerned that installations must continue to divert resources from the basic level of family programs to address the surges of mobilization and return. Resources must be available for commanders and others charged with ensuring family readiness to help alleviate the strains on families facing more frequent and longer deployments. As the mobilization and de-mobilization of Guard and Reserve members continues, support for their families remains critical.

National Guard and Reserve Families

Projected force numbers for the next rotation of troops for Operation Iraqi Freedom (OIF) call for 40 percent to be Guard and Reserve members. This number does not include service members called for duty in Operation Enduring Freedom (OEF) in Afghanistan and those who continue to serve in Bosnia. The military family is

a growing commodity across America, appearing in places where they have not usually been before. These families often find themselves a great distance from traditional military installation-based support facilities. They may also be far from the Guard armory or Reserve center where their service member trains. How then does the family learn about all their active duty benefits or receive answers about how to follow the rules? NMFA appreciates additional funding provided in the fiscal year 2004 Supplemental Appropriations for family support services provided by the National Guard in areas away from military installations. Each state has one or more family assistance centers for these families. In some instances, it may only be a phone manned during working hours; in others, a fully-staffed information and referral office is in operation.

NMFA hears from Guard and Reserve families that community organizations like the Red Cross, the Veterans of Foreign Wars (VFW), the American Legion, Employee Support of the Guard and Reserve (ESGR) and Chambers of Commerce have pitched in to help when units have been deployed. These groups provide moral support and assist when financial problems caused by either a decrease in their household income or by paperwork complications as service members transfer from a State system to the defense pay system plague many families. Some States (with Illinois taking the lead) are also instituting a military family relief fund to help those families with grants. We would hope pay and paperwork problems could be eliminated. National Guard and Reserve families are proud of their service members. NMFA appreciates the sacrifices they are called upon to make when their service member is deployed. They need equitable access to family support programs to help them through this stressful period.

What's Needed for Family Support?

Family readiness volunteers and installation family support personnel in both active duty and Reserve component communities have been stretched thin over the past 2 years as they have had to juggle pre-deployment, ongoing deployment, and return and reunion support, often simultaneously. Unfortunately, this juggling act will likely continue for some time. Volunteers, whose fatigue is evident, are frustrated with being called on too often during longer than anticipated and repeated deployments. We now hear from volunteers and family members whose service member is serving in their second long deployment to a combat zone since the war on terrorism began. Family member volunteers support the service members' choice to serve; however, they are worn out and concerned they do not have the training or the backup from the family support professionals to handle the problems facing some families in their units. Military community volunteers are the front line troops in the mission to ensure family readiness. They deserve training, information, and assistance from their commands, supportive unit rear detachment personnel, professional backup to deal with family issues beyond their expertise and comfort level, and opportunities for respite before becoming overwhelmed. NMFA is pleased that the Army is establishing paid Family Readiness Group positions at many installations dealing with deployments to provide additional support to families and volunteers.

NMFA knows that the length of a deployment in times of war is subject to change, but also understands the frustrations of family members who eagerly anticipated the return of their service members on a certain date only to be informed at the last minute that the deployment will be extended. The unpredictability of the length and frequency of deployments is perhaps the single most important factor, other than the danger inherent in combat situations, frustrating families today. Families who can count on a set return date cope better than those dealing with an unknown return. Families and service members who can count on a period at home between deployments will be more likely to choose to stay with the military. Because of the unpredictable nature of the military mission today, family members need more help in acquiring the tools to cope with the unpredictability.

NMFA applauds the increase in joint coordination to improve family readiness. As the military becomes more "joint," it makes sense to use a joint approach to family support, providing consistent information and using scarce personnel and other resources to the best advantage. A start in improved joint family readiness support has been DOD's establishment of a common Web portal with links to military service, private organization, and other useful government sites (www.deploymentconnections.org).

With the January implementation of Navy OneSource and February roll-out of its Air Force counterpart, all active and Reserve component personnel and their families can now access the "OneSource" 24-hour information and referral service previously available only for Marine Corps and Army personnel. OneSource provides information and assistance, not just for post-deployment concerns, but also in such

areas as parenting and child care, educational services, financial information and counseling, civilian legal advice, elder care, crisis support, and relocation information. The service is available via telephone, e-mail, or the Web and is designed to augment existing Service support activities and to link customers to key resources, Web pages, and call centers. It is also available to family center staff, many of whom tell NMFA that they regard it as a useful tool to expand the assistance they can provide families. OneSource is operated for the military services by a civilian company that provides similar Employee Assistance Programs for private industry. Early statistics on use indicate that service members and families are accessing OneSource primarily for everyday issues and basic information about military life. Military families who use OneSource are pleased with the support and information provided. OneSource also received high marks from a panel of military spouses at a quality of life hearing before the Military Construction Subcommittee of the House Appropriations Committee on February 25.

While NMFA believes OneSource is an important tool for family support, it is not a substitute for the installation-based family support professionals or the Family Assistance Centers serving Guard and Reserve families. NMFA is concerned that in a tight budget situation, family support staffing might be cut under the assumption that the support could be provided remotely through OneSource. The OneSource information and referral service must be properly coordinated with other support services, to enable family support professionals to manage the many tasks that come from high operational tempo (OPTEMPO). The responsibility for training rear detachment personnel and volunteers and in providing the backup for complicated cases beyond the knowledge or comfort level of the volunteers should flow to the installation family center or Guard and Reserve family readiness staff. Family program staff must also facilitate communication and collaboration between the rear detachment, volunteers, and agencies such as chaplains, schools, and medical personnel.

NMFA applauds the various initiatives designed to meet the needs of service members and families wherever they live and whenever they need them and requests adequate funding to ensure continuation both of the "bedrock" support programs and implementation of new initiatives. Higher stress levels caused by open-ended deployments require a higher level of community support. Family readiness responsibilities must be clearly delineated so that the burden does not fall disproportionately on volunteers.

EDUCATION FOR MILITARY CHILDREN

A significant element of family readiness is an educational system that provides a quality education to military children, recognizing the needs of these ever-moving students and responding to situations where the military parent is deployed and/or in an armed conflict. Children are affected by the absence of a parent and experience even higher levels of stress when their military parent is in a war zone shown constantly on television. The military member deployed to that dangerous place cannot afford to be distracted by the worry that his or her child is not receiving a quality education. Addressing the needs of these children, their classmates, and their parents is imperative to lowering the overall family stress level, and to achieving an appropriate level of family readiness. But it does not come without cost to the local school system.

NMFA is pleased to report that most schools charged with educating military children have stepped up to the challenge. They have become the constant in a changing world and the place of security for military children and their families. The goal, according to one school official, "is to keep things normal for the kids." The schools' role is to "train teachers in what to look for and deal with what they find." NMFA received many positive stories from parents and schools about how the schools have helped children deal with their fears, keep in touch with deployed parents, and keep focused on learning. We have also heard stories of schools helping each other, of schools experienced in educating military children and dealing with deployment-related issues providing support for school systems with the children of activated Guard and Reserve members. In the process, many schools have increased the understanding of their teachers and other staff, as well as their entire communities, about issues facing military families. The DOD is supporting this effort in several significant ways. Late last year, DOD launched a new education website (www.militarystudent.org) to provide information on a variety of education topics to parents, students, educational personnel, and military commanders. Its information is especially valuable for schools and families dealing with the issues of deployment for the first time. NMFA is also pleased to report that other Services are following the Army's lead and hiring full-time School Liaison Officers at certain installations.

The Army not only has School Liaison Officers at all locations, but has also expanded to provide these information services to the Reserve components, recruiters and other remotely-assigned personnel and their families.

NMFA is appreciative of the support shown by Congress for the schools educating military children. It has consistently supported the needs of the schools operated by the DOD Education Agency (DODEA), both in terms of basic funding and military construction. Congress has also resisted efforts by a series of administrations to cut the Impact Aid funding so vital to the civilian school districts that educate the majority of military children. NMFA is also appreciative of the approximately $30 million Congress adds in most years to the Defense budget to supplement Impact Aid for school districts whose enrollments are more than 20 percent military children and for the additional funding to support civilian school districts who are charged with educating severely disabled military children. NMFA hopes, however, that DOD would request the supplement to Impact Aid, rather than wait for Congress to add it. Building this funding into its budget request would signal to school districts and military families that the DOD wants to ensure better quality in all schools educating large numbers of military children, not just those in DOD schools. Requesting this funding will also signal that DOD recognizes that it may need to assist schools with security, school construction, or special learning programs if the presence of military children or DOD programs and policies cause a loss of school funding or increased expenditures that cannot be met through Impact Aid or other Federal, State, or local programs.

DODEA

DOD schools are located in overseas locations (DODDS) and on a small number of military installations in the United States (DDESS). The commitment to the education of military children in DOD schools between Congress, DOD, military commanders, DODEA leadership and staff, and especially military parents has resulted in high test scores, nationally-recognized minority student achievement, parent involvement programs and partnership activities with the military community. This partnership has been especially important as the overseas communities supported by DODDS and many of the installations with DDESS schools have experienced high deployment rates. DOD schools have responded to the increased operations tempo with increased support for families and children in their communities.

While DOD schools have been immune from some of the constraints besetting civilian schools affected by State and local budget pressures, military families served by DOD schools have expressed concerns in recent years about DOD rescissions that cause cuts in maintenance, staff development, technology purchases and personnel support and also forced the elimination of some instructional days in some districts. Because the timing of the Federal fiscal year is out of sync with the school year, NMFA believes this calendar mismatch may tend to worsen the impact of mid-year Department-wide budget re-allocations on the school system and the children it serves. We urge Congress to ensure that DOD schools have the tools they need to plan and execute school budgets that support the increased mission these schools and their communities face.

NMFA also asks this subcommittee to understand the importance military parents attach to schools that educate their children well. DOD is currently preparing a congressionally-requested report to determine whether it could turn some DDESS districts over to neighboring civilian education agencies. While NMFA does not object to the concept of a report to determine whether school systems are providing a quality education, using tax dollars well, or are in need of additional maintenance or other support funding, we are concerned about the timing of the study and the reaction it has caused in communities already dealing with the stress of the war and deployments. Families in these communities wonder why something that works so well now seems to be threatened. NMFA attended an October 2003 community-input forum sponsored by the Director of DODEA. We were impressed not just with the strong support commanders and other community leaders gave to these schools, but also with the efforts they had made to reach out to local civilian schools to improve education for all military children.

NMFA applauds the DOD vision that the DOD focus on quality education for all military children. We have stated for years that DOD needs to do more to support civilian school districts educating most of the 85 percent of military children who do not attend DOD schools. We believe, however, that shifting children from highly successful, highly-resourced DOD schools to neighboring districts may cause more harm than good to both military children and their civilian peers. Adding to the stress in military communities also harms the education of military children. NMFA does not know what DOD's final recommendations will be. We encourage Members

of Congress to study those recommendations closely before making any decision that could damage the educational success the DDESS schools have achieved.

Improving Education Quality for all Military Children

Despite the success of the DOD schools in raising achievement levels, it is important to remember most military children are dependent on civilian school districts, often varying in quality and responsiveness to their families' concerns and the demands of the military lifestyle. Because military families move on average every 2.9 years, their children are often placed at an educational disadvantage, even by many well-intentioned programs and rules designed to improve school quality. Military parents applaud higher accountability standards—they want the best possible instruction for their children as well as the most rigorous course offerings possible. They do not want their children punished, however, when the various Federal and State initiatives clash, causing difficulties for mobile children. Because of varying course standards, school schedules, and State graduation requirements, military children sometimes lose credits needed for graduation. Currently, at least 18 States have graduation requirements linked to performance on State exit exams and several others are developing exit exams. With the rise of exit exams and increased graduation requirements, transfers are becoming more problematic, especially in the high school years.

NMFA applauds DOD initiatives to work with States to ease these transition issues for military children. We commend States that are also working to become more military-family-friendly, especially in the areas of education and spouse employment. We believe this coordination between DOD and the State and local entities charged with educating military children will bring an increased awareness to civilian neighborhoods about the value the military brings to their communities. To the military services, this collaboration will bring a better awareness of the burden being shouldered by local taxpayers to educate military children. To military children and their parents, this collaboration shows that quality education is a shared priority between the DOD and their local schools.

Schools serving military children, whether DOD or civilian schools, need the resources available to meet military parents' expectation that their children receive the highest quality education possible. Impact Aid funding for both on and off-base children and the DOD supplement to Impact Aid provide needed funds in lieu of lost tax revenue and help districts meet the additional demands caused by large numbers of military children. Initiatives to assist parents and to promote better communication between installations and schools should be expanded across all Services. Military children must not be placed at a disadvantage as State and Federal Governments devise accountability measures.

COMMISSARIES AND EXCHANGES

Commissaries are consistently valued by all members of the military community as a top benefit. In the most recent Status of Forces Survey of Active Duty Members, done in July 2002, 67 percent of service members surveyed reported they were either satisfied or very satisfied with commissaries and exchanges, the highest satisfaction rate for any quality of life program. Delegates to the 2003 Army Family Action Plan Conference rated the commissary as their fourth most-valuable service, following health care, the Army Family Action Plan, and Army Community Services. Every time they go to the commissary, families note the savings. According to the most recent figures NMFA has obtained from the Defense Commissary Agency (DeCA), these savings are 32.1 percent compared to commercial super centers and grocery stores—that translates to an annual savings of almost $2,700 for a family of four. These savings are especially important to young families and to families overseas or in remote or high cost areas in the United States. An Air Force family member stationed in Hawaii told NMFA what the commissary benefit means to her family: "After a couple of walks through the local grocery store here, the commissary benefit is obvious—$2.65/gallon instead of $6.85 for milk, 12 cents instead of 30 cents a package for ramen, 50 cents instead of a dollar/pound for bananas, and the list goes on."

Commissaries

The past year has been a challenging one for many of the beneficiaries served by DeCA and, we believe for the DeCA itself. A war with large-scale deployments and redeployments, a major hurricane in the east, a multi-State blackout, wildfires in the west, and a major distributor bankruptcy, plus news coming from inside the beltway on possible changes to the commissary system, combined to add to the stress experienced by military families and the people charged with supporting them. NMFA believes these events—and the reactions to them—served to highlight

the value of the commissary benefit to the military community and the high return on investment the government receives from its $1.1 billion commissary appropriation.

NMFA believes DeCA's successes in improving customer service, the cleanliness and functionality of its stores, outreach to beneficiaries, and the quality of produce and meat, in addition to increasing customer savings, have been made possible through its ability to remain focused on gaining efficiencies and creating initiatives to enhance its service to beneficiaries. We also believe that these initiatives bring value to the government and to the American taxpayer by leveraging the appropriated funds DeCA receives into a military benefit valued at a much higher level by beneficiaries and by the actual savings delivered. Because of the value commissaries add to the quality of life of individual service members, retirees, families, survivors, and the military community, NMFA is very concerned that this benefit be preserved as part of the military compensation package.

During the past year, DOD announced plans to close a number of commissaries, replace the traditional three-star officer serving as chairman of the Commissary Operating Board (COB) with a political appointee, and require a study on instituting variable pricing for commissary products. These proposals are apparently intended to save money by reducing DeCA's annual appropriation. NMFA is concerned the recommendation to "civilianize" the chairmanship of the COB is another indicator of DOD's ongoing interest in eventually privatizing the benefit, which NMFA opposes. NMFA believes uniformed military leaders, who are responsible for the well-being of their soldiers, sailors, airmen, and marines, must continue to maintain their leadership function on the COB to provide oversight of this important benefit.

NMFA is also opposed to the concept of variable pricing. We believe it is being proposed solely as a strategy to reduce appropriated funding for the commissary benefit. With average savings currently at approximately 32 percent, we cannot understand why the administration's proposal for variable pricing sets a benchmark of 30 percent. While we agree more needs to be done to increase savings in some locations, we do not believe a procedure that disrupts the well understood pricing formula of cost plus 5 percent provides a better benefit. Encouraging DeCA to continue implementing efficiencies and to work with its vendors to secure the lowest prices possible will provide the best benefit over the long term and increase average savings for the customer. If vendors are already selling goods to the commissaries at their best possible price, how long will they continue to do so if local commissaries can raise those prices simply to compensate for cutting prices on other products? It seems to us that implementing variable pricing on a worldwide scale would also require increased staffing to manage the process. These new positions would either have to come from existing staffing levels—which NMFA believes are already dangerously close to the minimum needed at the store level to maintain quality customer service—or would require more, not less, operating funds. NMFA fails to see the benefit to either the customer or the taxpayer in this proposal.

NMFA appreciates the strong stand taken by Members of Congress and senior military leaders, including the COB and U.S. Army Europe (USAREUR) Commander General B.B. Bell, in support of retaining the commissaries recommended for closure. Senior DOD officials have in the past cited the special importance of commissaries to service members and families stationed overseas and in isolated communities in the United States. NMFA, therefore, was dismayed that the list of closures released in August 2003 contained so many stores in remote locations. Families also were dismayed. NMFA heard from many families who shared driving times and distances not just to the nearest commissary, but to the nearest civilian grocery store. Quality of life issues, such as high cost of living in the surrounding civilian community, remote locations, and the need to provide an American-like grocery benefit and "touch of home" in overseas communities must always take precedence over cutting an appropriation that consistently provides the DOD with a high return on its investment. NMFA also heard from Guard and Reserve service members and families who noted the irony of their receipt of full commissary access just at the time when the benefit they had just won seemed to be under fire. NMFA would also hope that the impact on all categories of beneficiaries—active duty, retiree, National Guard, and Reserve—be considered in any decision to close individual commissaries.

NMFA thanks members of this subcommittee for its understanding of the commissary's importance to the military community and of the impact proposals to change the benefit have on a community under stress. We urge you to continue your efforts to keep this benefit strong.

Quality of life considerations must be given high priority in any decision to close individual commissaries. NMFA opposes all privatization and variable-pricing initiatives and strongly supports full or even enhanced funding of the commissary benefit

to sustain the current level of service for all patrons: active duty and Guard and Reserve service members, retirees, their families, and survivors.

Exchanges

Active duty and Reserve component service members, retirees, their families, and survivors consistently rate the military exchanges as important quality of life components. Beneficiaries value the exchanges—to include the vendors in exchange malls and the ancillary services such as service stations, barber shops, and shoppettes—because they provide a great service to the local community where they serve and live. Beneficiaries value low everyday prices on consumer goods and the convenience of catalog and Internet mail order services. The exchanges' online store, operated by the Army and Air Force Exchange Service (AAFES) continues to increase in popularity, especially among Guard and Reserve members and retirees who do not live near an installation, deployed service members, and families stationed overseas.

The exchange services also bring a touch of home to deployed service members, through ship stores in the Navy and through AAFES activities in deployed areas. Exchange employees provide retail operations, name brand fast food outlets, Internet cafes, and phone services in many remote areas. NMFA applauds the exchange employees who have deployed with the troops and who serve them in often dangerous and remote locations. AAFES "Gifts from the Homefront" program allows people to purchase AAFES gift certificates that can be sent to individual authorized patrons or donated to deployed service members through the Red Cross, Air Force Aid Society, or the Fisher House. This program operates in a similar fashion to DeCA's "Gift of Groceries" program.

The exchanges not only provide essential goods and services, but also generate vital funding for a variety of important Morale, Welfare and Recreation (MWR) programs that are essential to maintaining a high quality of life for members of the military community. Funds generated for MWR by the exchanges are funds that do not have to be provided by the service members and their families to support these programs.

NMFA applauds outreach efforts by the military exchanges to support military families and to recognize the contributions of retirees to the military community. We do note that, while improving, exchanges in many locations still need to work on their product lines to ensure that brand name goods in a variety of price points are available to meet the needs of the very diverse beneficiary population. Exchanges must also strengthen their promise to the community and ensure that exchange prices in the products they carry are comparable, not just to identical brands, but to other brands of similar quality in civilian stores. Military beneficiaries want to make their exchange their store of choice. An exchange that does not carry the goods they need, in the price range they can afford, or with the quality they expect will not be their first choice.

Tighter security requirements, reduced ease of access in some cases, increased deployments, changing buying habits of beneficiaries, and the upcoming round of BRAC pose challenges for the military exchange systems. NMFA sees even greater challenges ahead in preserving adequate funding levels for MWR programs. NMFA has in the past supported the decision to keep the exchange systems separate while encouraging the adoption of common behind-the-store systems where efficiencies are viable. These areas include purchasing, distribution and logistics, finance, information systems, and other administrative functions. The exchanges are partnering successfully on certain private label brands and NMFA encourages more of these partnerships in the future to ensure that funds generated by exchange sales are available to be used for MWR programs and not needed to fund the administration of the exchange systems.

NMFA has been following the work of DOD's Unified Exchange Task Force (UETF) closely to determine whether the DOD proposal to combine the exchange systems will have the potential to increase funding available for MWR while ensuring responsiveness to the needs of the beneficiaries and their communities. We thank the leadership of the UETF for its efforts to keep NMFA and other associations informed about its vision, goals, and research into how to design a uniform exchange system. While we appreciate the responsiveness of the UETF, however, NMFA must note that the Task Force cannot yet answer what is to us the critical question: How will this affect the beneficiaries? We believe the issue at stake in this discussion is bigger than a question of whether or not to combine the exchanges. MWR revenues support a variety of the most basic support programs available for families, single service members, and other members of the military community. NMFA most wants to know whether consolidation will provide enough savings to support MWR programs at the level needed to support the community. If not, what

else do we need to ensure the viability of these programs? NMFA also wonders how the costs of transitioning to a consolidated system will be covered. We believe the MWR funding stream must be protected and do not want to see funds diverted, even with the promise of savings and recovered revenue in future years. Families tell us that MWR programs are stretched too thin now to be asked to forego revenues in order to pay for a transition to a consolidated exchange system. We also wonder how funds generated by a consolidated system will be reapportioned back to the Services and installations in a way that takes into account Service size, sales generated, community needs, and the multi-service and combined active and Reserve component missions of some installations.

Consolidation issues that most concern NMFA are those that may require the maintenance of a Service-specific program, such as the Navy's Ship Stores. We are also concerned about a local exchange manager's ability, under a consolidated system, to provide certain Service-specific programs or incentives. For example, at the Quantico Marine Corps Base, exchange shoppers can receive "child care bucks" when spending certain amounts at the exchange. These coupons can be used to pay for child care at the installation Child Development Center. NMFA thinks this is a wonderful initiative at an installation serving many young families; it helps them pay for child care and it makes the exchange their store of choice. We believe this program is made possible because of the integration of child care programs and the exchange as part of Marine Corps Community Services. We wonder whether this program, or similar tie-ins between exchanges and MWR programs, could continue under a consolidated exchange system.

NMFA appreciates the willingness of the UETF to engage in dialogue with beneficiary associations and to seek beneficiary input on issues related to a potential consolidation of the exchange systems. NMFA cannot take a position on exchange consolidation, however, until it is presented with more information on the costs involved in moving to a consolidated system and the effects on the flexibility of a local exchange to respond to the needs of the community and to offer products and services tailored to that community. NMFA asks this subcommittee to provide the oversight necessary to ensure that the exchanges, whether or not they consolidate, continue to provide appropriate product choices, competitive prices, and increased funding for MWR programs.

BRAC

The publication in the Federal Register of the criteria DOD will use in developing recommendations for closure and realignment under the next BRAC round prompted a heightened concern in the military community about the future status of military installations and the continued availability of vital quality of life programs. Members of the military community, especially retirees, are concerned about the impact base closures will have on their access to their health care, commissary, exchange and MWR benefits. They are concerned that the size of the retiree, Guard, and Reserve populations remaining in a location will not be considered in decisions about whether or not to keep commissaries and exchanges open.

NMFA was pleased to see that the DOD's discussion of the comments received (included in the Federal Register posting of the final BRAC criteria) provide evidence that quality of life issues will be considered. In responding to comments arguing that a closure's potential impact on retiree access to benefits such as commissaries and health care be considered, DOD noted that "while military value criteria must be the primary consideration, the impact of a closure or realignment on the local community, including military retirees residing therein, will be considered" in applying several of the other criteria. Some comments received by the Department addressed criterion #7, "the ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel." These comments emphasized that the DOD should look at the quality of life provided to service members and their families. DOD's response is encouraging:

> The DOD agrees that the quality of life provided to its military personnel and their families significantly contributes to the DOD's ability to recruit and retain quality personnel. Military personnel are better able to perform their missions when they feel comfortable that their needs and those of their families are taken care of. Quality of life is captured throughout the criteria, particularly criterion seven.

NMFA is also concerned about the availability of schools, commissaries, exchanges, and MWR programs during shifts in troop populations during a domestic BRAC or realignment of troops overseas. We look to Congress to ensure DOD's plans for these troop shifts will maintain access to quality of life programs and support facilities until the last family leaves the installation. In the same manner, we

ask you to ensure that houses, schools, child development and youth programs, and community services are in place to accommodate the surge of families a community can expect to receive as a result of the movement of troops to a new location.

STRONG FAMILIES ENSURE A STRONG FORCE

Mr. Chairman, NMFA is grateful to this subcommittee for its oversight of vital quality of life components for today's force and for your advocacy for a better quality of life for service members and their families. Just as the family worries about the deployed service member, the service member's constant concern is about the well-being of his or her family. In the dangerous environment in which they must frequently operate, service members cannot afford to be distracted by concerns at home. Assuring the service member that the decision to serve will not penalize the family is critical to the service member's readiness and thus to mission readiness. The stability of the military family and community and their support for the forces rests on the Nation's continued focus on the entire package of quality of life components. Military members and their families look to you for continued support for that quality of life. Please don't let them down.

Senator CHAMBLISS. Thank you, Ms. Raezer.

Dr. Schwartz.

STATEMENT OF SUE SCHWARTZ, D.B.A, RN, CO-CHAIR, THE MILITARY COALITION HEALTH CARE COMMITTEE

Dr. SCHWARTZ. Good afternoon, Mr. Chairman, Senator Pryor, and distinguished members of the subcommittee. It is truly an honor to have the opportunity to address the subcommittee today concerning TMC's views on the Defense health care program.

I want to reiterate our deep appreciation to the entire subcommittee for your leadership in sponsoring a wide range of landmark health care initiatives over the past year, especially for Medicare eligibles and for active-duty families. We are most grateful for the subcommittee's leadership last year in directing DOD to take specific action to address chronic access problems for TRICARE standard beneficiaries under the age of 65 and to begin to address health care needs for the Selected Reserve. We ask the subcommittee for continued emphasis in ensuring these enhancements are implemented promptly and effectively.

DOD officials speak of "funding shortfalls in the out-years," but there are current problems as well. Bases are turning their retirees away from their pharmacies, saying this is due to budget cuts. Last year, the Office of Management and Budget (OMB) even considered increasing retiree pharmacy cost shares significantly, even going so far as to propose charging retirees for medications obtained in military pharmacies. We ask the subcommittee for continued support in authorizing sufficient amounts for the direct and purchase care systems, so that the Defense health budget doesn't have to be balanced on the back of beneficiaries.

This year, the new TRICARE contracts will greatly impact the program and our members, and with change always comes challenges. We are firmly committed to working with Congress, the DOD, and contractors to make implementation as smooth as possible.

Service by the previous contractors must not be compromised as contracts are phased out. The transition must be seamless for the beneficiary. Provider churn must be kept to a minimum so beneficiaries don't have to change doctors. Beneficiaries must receive timely information on the new contracts, provider networks, and where they can go to get help when they need it, balancing the

need for a uniform benefit with three contractors' interpretation of what is their best business practices.

Sometime later this year, DOD will be implementing the uniform formulary. The Coalition's concerns about creating a third tier of non-preferred drugs include the need for a robust formulary that includes the most frequently prescribed medications. The program must be streamlined as much as possible to avoid unnecessary hassle for both patients and providers. Beneficiaries and providers shouldn't have to jump through hoops to meet medical necessity requirements, obtain prior authorization, or make appeals. Ongoing beneficiary education must be made readily available.

Mr. Chairman, this subcommittee has gone a long way to address daunting and significant problems. Many have been around for decades. It's going to take continuous monitoring and follow-up to ensure that actions are taken with intended effects. We hope to work closely with you and the DOD to make sure these problems are resolved and that beneficiaries get access and the care they deserve.

We remain deeply appreciative of the subcommittee's ongoing leadership and commitment to those who are in uniform today and those who have served our Nation in the past. I will now turn to my colleague, Master Sergeant Mike Cline, who will share with you additional Coalition personnel priorities.

[Dr. Schwartz's testimony is included in The Military Coalition's prepared statement.]

Senator CHAMBLISS. Thank you.

Mr. Cline.

STATEMENT OF MASTER SERGEANT MICHAEL P. CLINE, USA (RET.), CO-CHAIR, THE MILITARY COALITION, AND EXECUTIVE DIRECTOR, ENLISTED ASSOCIATION OF THE NATIONAL GUARD OF THE UNITED STATES

Sergeant CLINE. Thank you, Mr. Chairman. Thank you for giving me the opportunity to present the views of the member organizations that comprise the Guard and Reserve Committee of TMC.

Mr. Chairman, as you've heard today, DOD has strongly indicated that the chances of implementing TRICARE for Guard and Reserve people, for our forces that are now deployed or will be deployed, is probably not going to happen. In the last session of Congress, you took the first step to provide TRICARE for National Guard and Reserve members on a cost-share basis to your Guard and Reserve members who either do not have employer-furnished health care or are unemployed.

Why do we need health care for Guard and Reserve members? The answer has four parts: quality of life, employer support, readiness, and recruiting and retention. I found it interesting that the DOD stated it didn't have much impact on the force of the people that are not deployable. Well, if you just took 5 percent of the almost 400,000 Guard and Reserve members that were not able to deploy, that represents almost 20,000 soldiers, airmen, Navy, or Marine personnel that could not deploy.

Mr. Chairman, it's disturbing news that the DOD has continued to, in my opinion, drag its feet in the implementation of the provisions passed in the law last year. Already, 4 months have passed, but no TRICARE for Guard and Reserve members has been imple-

mented, and it looks like it won't be implemented. The authority for the legislation expires at the end of the year, but the call-ups will not. How do we expect to have a valid test when time is running out? I urge you to send a strong message to the DOD that TRICARE for Guard and Reserve members is a priority by passing permanent legislation into law. Demonstrations will not fix the problems we will face in the four areas I mentioned.

Another issue I would like to discuss is the Reserve retirement upgrade. The fundamental assumption of the Reserve Force retirement system that was established in 1947, 58 years ago, is that a Guard or Reserve member has a primary career in the civilian sector. The time has long passed to recognize the great sacrifices these members make to serve their country. Demands over the past 14 years have cost tens of thousands of Guard and Reserve members significantly in terms of their civilian retirement, accrual, civilian 401(k) contributions, and civilian job promotions.

The fact remains that although there are laws like the Uniformed Services Employment and Reemployment Act (USERA) on the books, discrimination will and does happen in the workplace. The DOD routinely relies upon the capabilities of the Guard and Reserve across the entire spectrum of conflict from homeland security to overseas deployments and combat.

Since September 11, almost 400,000 Guard and Reserve members have been involuntarily called to active duty several times. This does not include those who have volunteered to serve in various capacities. Almost 40 percent of the Selected Reserve structure has answered the call with great personal sacrifice.

The time has come to recognize the Reserve retirement system as a complement to civilian retirement, not as a supplement. Failing to acknowledge and respond to the changing environment that Guard and Reserve members face could have far-reaching effects on Reserve participation and career retention. The contract with America's National Guard and Reserve has changed. It's now the time to reward those who have made the change possible. Reward them with a retirement program that allows them to draw benefits at an earlier age.

The final issue I would like to discuss is Montgomery GI Bill (MGIB) education benefits for chapter 1606 Selected Reserve members who have not kept pace with the active duty benefit. Originally, the Guard and Reserve benefit was 47 percent of the active duty rate. These have been significant increases in the active duty benefits in recent years. This has left a Selected Reserve benefit at less than 25 percent of the active duty rate. The MGIB educational benefits are one of those most significant recruiting tools we have to recruit and retain members in the National Guard and Reserve. We urge you to increase the benefit back to its original 47-percent level.

Also, currently the benefit expires 14 years after first becoming eligible. This clock starts ticking when an individual returns from basic training and advanced school. There is no incentive for those career members who want to stay after 14 years. We ask your consideration on making the chapter 1606 benefits available for as long as a person is in the Selected Reserve.

Mr. Chairman, I will be followed by Ms. Holleman.

[The prepared statement of The Military Coalition follows:]

PREPARED STATEMENT BY THE MILITARY COALITION (TMC)

Mr. Chairman and distinguished members of the subcommittee, on behalf of TMC, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the subcommittee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans' organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- American Logistics Association
- American Veterans (AMVETS)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars of the United States
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the Federal Government.

EXECUTIVE SUMMARY

RECOMMENDATIONS OF THE MILITARY COALITION

Active Force Issues

Personnel Strengths and Operations Tempo

TMC strongly recommends restoration of Service end strengths consistent with long-term sustainment of the global war on terrorism and fulfillment of national military strategy. The Coalition supports increases in recruiting resources as necessary to meet this requirement. The Coalition urges the subcommittee to consider all possible manpower options to ease operational stresses on active, Guard, and Reserve personnel.

Pay Raise Comparability and Pay Table Reform

TMC urges the subcommittee to restore full pay comparability on the quickest possible schedule, and to reject any request from the administration to cap future pay raises or to provide smaller increases to service members in the U.S. Public Health Service or National Oceanic and Atmospheric Administration. The Coalition believes all members of the uniformed services need and deserve annual raises at

least equal to private sector wage growth. The Coalition supports the DOD plan for increased "targeted" raises to align the pay of career servicemembers with earnings in the private sector for civilians with comparable experience and education. However, to the extent that "targeted" raises are needed, the DOD should define the ultimate objective pay table toward which these targeted raises are aimed.

Commissaries

TMC opposes all privatization and variable pricing initiatives and strongly supports full or even enhanced funding of the commissary benefit to sustain the current level of service for all beneficiaries including Guard and Reserve personnel and their families.

Family Readiness and Support

TMC recommends a family support structure, with improved education and outreach programs and increased childcare availability, to ensure a high level of family readiness to meet the requirements of increased force deployments for active, National Guard and Reserve members.

Education Benefits for Career Service Members

Career service members who have not had an opportunity to sign up for a post-service educational program deserve an opportunity to enroll in the Montgomery GI Bill (MGIB) and TMC urges the subcommittee to authorize them to do so.

Basic Allowance for Housing (BAH)

TMC urges an adjustment to grade-based housing standards to more accurately reflect realistic housing options and members' out-of-pocket housing expenses. The Coalition further urges the subcommittee to eliminate service members' average out-of-pocket housing expenses in fiscal year 2005.

Permanent Change of Station (PCS)

TMC urges continued upgrades of PCS reimbursement allowances to recognize that the government, not the service member, should be responsible for paying the cost of doing the government's business.

Basic Allowance for Subsistence (BAS)

TMC urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E–6 and extending eligibility to lower grades as budgetary constraints allow.

National Guard and Reserve Issues

Support of Active Duty Operations

TMC urges continued attention to ensuring an appropriate balance between National Guard and Reserve Force strengths and missions and careful congressional oversight of DOD "transformation" initiatives that could threaten the Nation's "seamless, integrated total force" policy.

Healthcare for Members of the National Guard and Reserve

TMC urges permanent authority for cost-share access to TRICARE for all members of the Selected Reserve—those who train regularly—and their families in order to ensure medical readiness and provide continuity of health insurance coverage. As an option for these service members, the Coalition urges authorizing the government to pay part or all of private health insurance premiums when activation occurs, a program already in effect for reservists who work for the DOD.

Guard/Reserve Retirement Upgrade

TMC urges a reduction in the age when a Guard/Reserve component member is eligible for retired pay to age 55 as an option for those who qualify for a non-regular retirement.

Selected Reserve Montgomery GI Bill (SR–MGIB) Improvements

TMC recommends a phased increase in SR–MGIB benefits to restore it to its original value of 47 percent of basic benefits under the MGIB and also recommends transfer of the SR–MGIB authority from title 10 to title 38 to permit proportional benefit adjustments in the future.

Guard/Reserve Family Support Programs

TMC urges that adequate funding be made available for a core set of family support programs and benefits that meet the unique needs of geographically dispersed

Guard and Reserve families who do not have ready access to military installations or current experience with military life.

Retirement Credit for All Earned Drill Points

TMC recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.

Survivor Program Issues

Age-62 Survivor Benefit Plan (SBP) Offset

TMC strongly recommends elimination of the patently inequitable and highly discriminatory age-62 SBP annuity reduction now imposed on military survivors. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 1916 and H.R. 3763.

30-Year Paid-Up SBP

TMC strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2004.

SBP–DIC Offset

TMC strongly recommends that the current dollar-for-dollar offset of SBP benefits by the amount of Dependency and Indemnity Compensation (DIC) be eliminated, recognizing that these two payments are for different purposes.

Retirement Issues

Concurrent Receipt of Military Retired Pay and Veterans' Disability Compensation

TMC urges subcommittee leaders and members to be sensitive to the need for further adjustments to last year's concurrent receipt provision and to eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the subcommittee to ensure the Veterans' Disability Benefits Commission protects the principles guiding the Department of Defense (DOD) disability retirement program and Department of Veterans' Affairs (VA) disability compensation system.

Final Retired Paycheck

TMC strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.

Former Spouse Issues

TMC recommends corrective legislation, including the recommendations made by the DOD in their 2001 Uniformed Services Former Spouse Protection Act (USFSPA) report, be enacted to eliminate inequities in the administration of the USFSPA.

Tax Relief for Uniformed Services Beneficiaries

The Coalition urges the subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, Federal Employees Health Benefits Program (FEHBP), and Long Term Care.

Health Care Issues

Full Funding For The Defense Health Budget

TMC strongly recommends the subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DOD peacetime health care mission. It is critical that The Retired Officers Association Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

Pharmacy Cost Shares for Retirees

TMC urges the subcommittee to continue to reject imposition of cost shares in military pharmacies and oppose increasing other pharmacy cost shares that were only recently established. We urge the subcommittee to ensure that Beneficiary Advisory Groups' inputs are included in any studies of pharmacy services or copay adjustments.

Permanent ID Card for Dependents Over the Age of 65

The Coalition strongly urges the subcommittee direct the Secretary of Defense (SECDEF) to authorize issuance of permanent military identification cards to uniformed services family members and survivors who are age 65 and older, with appropriate guidelines for notification and surrender of the ID card in those cases in which eligibility is ended by divorce or remarriage.

Access to TSRx for Nursing Home Beneficiaries

TMC urges the subcommittee to direct DOD to take action to provide outreach and education for beneficiaries attempting to deem nursing homes as TRICARE authorized pharmacy services. In those instances where the residential facility will not participate in the TRICARE program, DOD must be directed to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries who cannot access network pharmacies due to physical or medical constraints.

Initial Preventive Physical Examination

TMC requests that the subcommittee take steps to authorize the initial preventive physical examination (sec. 611 of Public Law 108–173) as a TRICARE benefit for over 65 Medicare-eligible uniformed services beneficiaries.

The President's Task Force (PTF) to Improve Health Care Delivery for Our Nation's Veterans

TMC asks the subcommittee to work with the Veterans' Affairs Committee and the Department of Veterans' Affairs (VA) and DOD to ensure action on the PTF recommendations including a seamless transition, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessment, and implementation of an electronic DD214.

TRICARE Standard Improvements

TMC urges the subcommittee's continued oversight to ensure DOD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for standard beneficiaries.

Provider Reimbursement

TMC requests the subcommittee's support of any means to raise Medicare and TRICARE rates to more reasonable standards and to support measures to address Medicare's flawed provider reimbursement formula.

Healthcare for Members of the National Guard and Reserve

TMC urges permanent authority for cost-share access to TRICARE for all members of the Selected Reserve—those who train regularly—and their families in order to ensure medical readiness and provide continuity of health insurance coverage. As an option for these service members, the Coalition urges authorizing the government to pay part or all of private health insurance premiums when activation occurs, a program already in effect for reservists who work for the DOD.

Disproportionate Share Payments

TMC urges the subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals with larger populations of TRICARE beneficiaries.

Administrative Burdens

TMC urges the subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

TRICARE Prime (Remote) Improvements

TMC requests that the subcommittee authorize family members who are eligible for TRICARE Prime Remote to retain their eligibility when moving to another prime remote area when the government funds such move and there is no reasonable expectation that the service member will return to the former duty station.

Coordination of Benefits and the 115 percent Billing Limit Under TRICARE Standard

TMC strongly recommends that the subcommittee direct the DOD to eliminate the 115 percent billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

Nonavailability Statements under TRICARE Standard

TMC requests the subcommittee's continued oversight to assure that, should the DOD choose to exercise its authority and reinstate NAS requirements, beneficiaries and their providers receive effective, advance notification.

TRICARE Next Generation of Contracts (TNEX)

TMC recommends that the subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.

Prior Authorization under TNEX

TMC urges the subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization and asks the subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.

Portability and Reciprocity

TMC urges the subcommittee to monitor the new contracts to determine if the new system facilitates portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

Health Care Information Lines (HCIL)

TMC urges the subcommittee to direct the DOD to modify the TNEX contract to make HCIL access universal for all beneficiaries and to develop a plan to provide for uniform administration of HCIL services nationwide.

Uniform Formulary Implementation

TMC urges the subcommittee to ensure a robust uniform formulary is developed, with reasonable medical-necessity rules and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

TRICARE Benefits for Remarried Widows

TMC urges the subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.

TRICARE Prime Continuity in Base Realignment and Closure (BRAC) Areas

TMC urges the subcommittee to amend title 10 to require continuation of TRICARE Prime network coverage for uniformed services beneficiaries residing in BRAC areas.

TRICARE Retiree Dental Plan

TMC urges the subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside outside the United States.

Pre-Tax Premium Conversion Option

TMC urges the subcommittee to support HR 1231 to provide active duty and uniformed services beneficiaries a tax exclusion for premiums paid for TRICARE Prime enrollment fees, TRICARE dental coverage and health supplements, and FEHBP.

Extended Care Health Option (ECHO)

TMC recommends the subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the ECHO program upon all beneficiary classes, and that beneficiary groups' input be sought in the evaluation of the program.

OVERVIEW

Mr. Chairman, TMC thanks you and the entire subcommittee for your unwavering support for fair treatment of all members of the uniformed services and their families and survivors. The subcommittee's strong support to improve military pay, housing allowances, health care, and other personnel programs has made a significant difference in the lives of active, Guard, and Reserve personnel and their families. This is especially true for our deployed service members, and their families and survivors, who are defending this Nation in our global war on terror.

The subcommittee's support of last year's landmark authority to eliminate the offset of retired pay for veterans' disability compensation for all retirees with disabilities of at least 50 percent, and for all retirees disabled by combat or combat-related

training. These and the many other important provisions of the National Defense Authorization Act (NDAA) for Fiscal Year 2004 will enhance and enrich the quality of life of our service members, retirees and their families and survivors in the years ahead.

Congress has clearly made military compensation equity a top priority and has accomplished much over the past several years to improve the lives of men and women in uniform and their families. But, last year we heard recommendations from some in the administration to return to the failed policies of the past by capping future military pay raises below private sector wage growth. Shortchanging compensation for military personnel has exacted severe personnel readiness problems more than once in the last 25 years, and the Coalition thanks the subcommittee for rejecting the administration's advice last year to cap military raises, and staying the course with prior provisions for better than average raises through fiscal year 2006.

But, despite this tremendous growth in military compensation, we are deeply troubled by how hard troops have to work—and their families have to sacrifice—for that compensation.

Today's reality is simple—service members and their families are being asked to endure ever-greater workloads and ever-greater sacrifices. Repeated deployments, often near back-to-back, have stressed the force to the point where retention and readiness would suffer now, if it weren't for the Services' stop-loss policies and massive recalls of Guard and Reserve members. The hard fact is that we don't have a large enough force in the majority of components to carry out today's missions and still be prepared for new contingencies that may arise elsewhere in the world.

Your fiscal year 2004 defense bill provisions authorizing—for the first time ever—the concurrent receipt of retired pay and veterans' disability compensation eliminated a century-old inequity for tens of thousands of severely disabled retirees. We applaud the subcommittee for this unprecedented and historic legislation and ask the subcommittee to be sensitive to the tens of thousands who continue to experience unfair reductions in their retired pay.

TMC appreciates past improvements to the SBP that extended SBP eligibility to the survivors of those killed on active duty. However, very serious SBP inequities remain to be addressed for older survivors, most of them widows, who see a drastic reduction in their survivor benefit when they reach age 62. Increasing their survivor annuity to at least the level afforded survivors of Federal civilians is a top Coalition priority.

In testimony today, TMC offers its collective recommendations on what needs to be done to address these important issues and sustain long-term personnel readiness.

ACTIVE FORCE ISSUES

Since the end of the Cold War, the size of the force and real defense spending have been cut more than a third. In fact, the defense budget today is 3.8 percent of this Nation's gross domestic product (GDP)—less than half of the share it comprised in 1986. But national leaders also have pursued an increasingly active role for America's forces in guarding the peace in a very dangerous world. Constant and repeated deployments have become a way of life for today's service members, and the stress is taking a significant toll on our men and women in uniform, and their families and survivors, as well.

The subcommittee has taken action to help relieve the stress of repeated deployments and last year's authority to extend the temporary increases in Imminent Danger Pay (IDP) and Family Separation Allowance (FSA) is one example of the many notable and commendable improvements made during the last several years in military compensation and health care programs. However, retention remains a significant challenge, especially in technical specialties. While some Service retention statistics are up from previous years' levels, many believe those numbers are skewed by post-September 11 patriotism and by Services' stop-loss policies. That artificial retention bubble is not sustainable for the long-term under these conditions, despite the reluctance of some to see anything other than rosy scenarios.

From the service members' standpoint, the increased personnel tempo necessary to meet continued and sustained training and operational requirements has meant having to work progressively longer and harder every year. "Time away from home" has become a real focal point in the retention equation. Service members have endured years of longer duty days; increased family separations; difficulties in accessing affordable, quality health care; deteriorating military housing; less opportunity to use education benefits; and significant out-of-pocket expenses with each military relocation.

The war on terrorism has now intensified with sustained operations in Iraq and Afghanistan. Members' patriotic dedication has been the fabric that has sustained this increased workload, and a temporarily depressed economy and Service stop-loss policies have deterred losses for now. But the longer-term outlook is problematic.

Experienced (and predominantly married) officers, noncommissioned officers (NCOs) and petty officers are under pressure to make long-term career decisions against a backdrop of a demand for their skills and services in the private sector, even through the recent economic downturn. In today's environment, more and more service members and their families debate among themselves whether the rewards of a service career are sufficient to offset the attendant demands and sacrifices inherent in uniformed service. They see their peers going home to their families every night, and when faced with repeated deployments, the appeal of a more stable career and family life, often including an enhanced compensation package with far less demanding working conditions, is attractive. Too often, our excellent soldiers, sailors, airmen, and marines are opting for civilian career choices, not because they don't love what they do, but because their families just can't take the stress any more.

On the recruiting front, one only needs to watch prime-time television to see powerful marketing efforts on the part of the Services. But this strong marketing must be backed up by an ability to retain these talented men and women. This is especially true as the Services become more and more reliant on technically trained personnel. To the subcommittee's credit, you reacted to retention problems by improving military compensation elements. We know you do not intend to rest on your well deserved laurels and that you have a continuing agenda in place to address these very important problems. But we also know that there will be stiff competition for proposed defense budget increases. The truth remains that the finest weapon systems in the world are of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The subcommittee's key challenge will be to ease service members' debilitating workload stress and continue to build on the foundation of trust that you have established over the past 4 years—a trust that is being strained by years of disproportional sacrifice. Meeting this challenge will require a reasonable commitment of resources on several fronts.

Personnel Strengths and Operations Tempo (OPTEMPO)

The Coalition is dismayed at the DOD's reluctance to accept Congress' repeated offers to increase Service end strength to relieve the stress on today's Armed Forces, who are clearly now sustaining an increased OPTEMPO to meet today's global war on terror. While we are encouraged by the Army's announcement to temporarily increase their end strength by 30,000, we are deeply concerned that administration-proposed plans for selected temporary manpower increases rely too heavily on continuation of stop-loss policies, unrealistic retention assumptions, overuse of the Guard and Reserves, optimistic scenarios in Southwest Asia, and the absence of any new contingency needs.

The DOD has also responded to your offers to increase end strength with their intention to transform forces, placing non-mission essential resources in core warfighting skills. While the DOD's transformation vision is a great theory, its practical application will take a long time—time we do not have after years of extraordinary OPTEMPO that is exhausting our downsized forces.

In fact, the Joint Chiefs testified that their forces were stressed before September 11 and end strength should have been increased then. Now, almost 3 years later, after engaging in two major operations, massive Guard and Reserve mobilizations, and broad implementation of "stop-loss" policies, the only reason end strength has not been increased is because of the Department's "transformation" plan—a plan they have not finalized with Congress.

Administration and military leaders warn of a long-term mission against terrorism that requires sustained, large deployments to Central Asia and other foreign countries. The Services simply do not have sufficient numbers to sustain the global war on terrorism, deployments, training exercises and other commitments, so we have had to recall significant numbers of Guard and Reserve personnel. Service leaders have tried to alleviate the situation by reorganizing deployable units, authorizing "family down time" following redeployment, or other laudable initiatives, but such things do little to eliminate long-term workload or training backlogs, and pale in the face of ever-increasing mission requirements. For too many years, there has always been another major contingency coming, on top of all the existing ones. If the administration does not recognize when extra missions exceed the capacity to perform them, Congress must assume that obligation.

The Coalition strongly believes that earlier force reductions went too far and that the size of the force should have been increased several years ago to sustain today's pace of operations. Deferral of meaningful action to address this problem cannot continue without risking serious consequences. Real relief is needed now. There is no certainty that missions will decline, which means that the only prudent way to assure we relieve the pressure on service members and families is to increase the size of the force.

This is the most difficult piece of the readiness equation, and perhaps the most important under current conditions. Pay and allowance raises are essential to reduce other significant career irritants, but they can't fix fatigue and lengthy and more frequent family separations.

Some argue that it will do little good to increase end strengths, questioning whether the Services will be able to meet higher recruiting goals. The Coalition believes strongly that this severe problem can and must be addressed as an urgent national priority, with increases in recruiting budgets if that proves necessary.

Others point to high reenlistment rates in deployed units as evidence that high OPTEMPO actually improves morale. But much of the reenlistment rate anomaly is attributable to tax incentives that encourage members to accelerate or defer reenlistment to ensure this occurs in a combat zone, so that any reenlistment bonus will be tax-free. Retention statistics are also skewed by stop-loss policies. Over the long run, past experience has shown that time and again smaller but more heavily deployed forces will experience family-driven retention declines.

Action is needed now. Failing to do so will only deepen the burden of already overstressed troops and make future challenges to retention and recruiting worse.

TMC strongly recommends restoration of Service end strengths to sustain the long-term global war on terrorism and fulfill national military strategy. The Coalition supports increases in recruiting resources as necessary to meet this requirement. The Coalition urges the subcommittee to consider all possible manpower options to ease operational stresses on active, Guard, and Reserve personnel.

Pay Raise Comparability

TMC appreciates the subcommittee's leadership during the last 6 years in reversing the routine practice of capping service members' annual pay raises below the average American's. In service members' eyes, all of those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

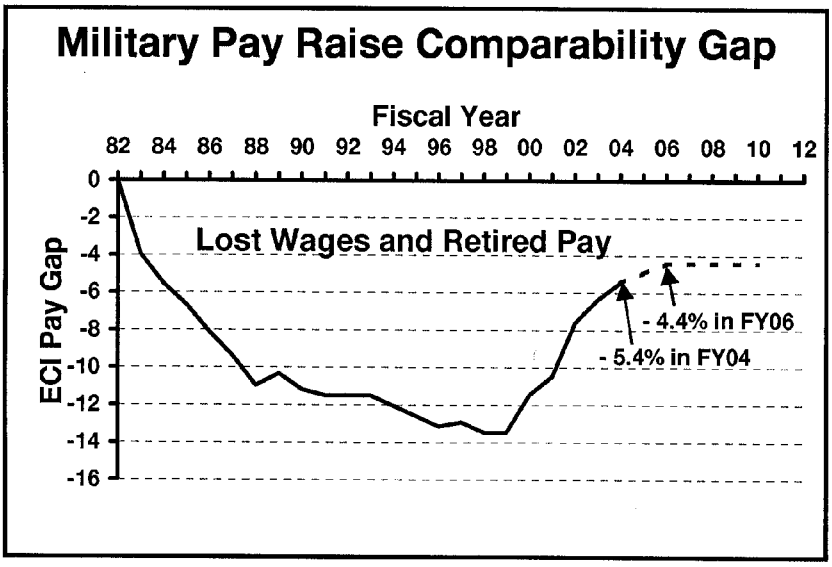
Unfortunately, this failed practice of capping military raises to pay for budget shortfalls reared its head again last year when the Director of the Office of Management and Budget (OMB) proposed capping future military pay raises at the level of inflation. The Coalition was shocked and deeply disappointed that such a senior officer could ignore 25 years of experience indicating that pay caps lead inevitably to retention and readiness problems. Not only was the proposal ill timed as troops were engaged in combat operations in Afghanistan and Iraq—it was just bad, failed policy.

The President ultimately rejected his senior budget official's advice; but, while supporting a 4.1 percent pay raise for most of the uniformed services, the administration's fiscal year 2004 budget proposed to cap the pay of National Oceanic and Atmospheric Administration (NOAA) and U.S. Public Health Service (USPHS) officers at 2 percent. TMC strongly objected to this disparate treatment of members in those uniformed services and your subcommittee ensured that NOAA and USPHS personnel received the same 4.1 percent pay raise. We strongly urge the subcommittee to reject any requests from the administration recommending treatment of NOAA and USPHS commissioned officers that is different from that accorded their fellow comrades-in-arms.

Pay raise comparability with private sector wage growth is a fundamental underpinning of the all-volunteer force, and it cannot be dismissed without severe consequences for national defense.

When the pay raise comparability gap reached 13.5 percent in 1999—resulting in predictable readiness crises—this subcommittee took responsible action to change the law. Largely because of your efforts and the belated recognition of the problem by the executive branch, the gap has been reduced to 5.4 percent as of 2004.

While it would take another 5 years to restore full comparability at the current pace, we sincerely appreciate this subcommittee's decision to change the prior law that would have resumed capping pay raises at below private sector growth and enacting a new law requiring all raises, beginning in fiscal year 2007, to at least equal private sector wage growth as measured by the Bureau of Labor Statistics Employment Cost Index (ECI).



TMC urges the subcommittee to restore full pay comparability on the quickest possible schedule, and to reject any request from the administration to cap future pay raises for any segment of the uniformed services population.

Pay Table Reform

The subcommittee also has supported the DOD plan to fix problems within the basic pay table by authorizing special "targeted" adjustments for specific grade and longevity combinations in order to align career service members' pay with private sector earnings of civilians with similar education and experience.

The Coalition supports the DOD plan for targeted raises; but, once again, the Coalition was disappointed with the actions of the OMB—this time, by their recently reported denial for a $300 million request from DOD to continue targeted raises for career service members.

While the Coalition is most appreciative of the administration's support this year to continue ECI-plus raises provided for by the NDAA for Fiscal Year 2000, we are deeply disappointed that they would deny a request from DOD to complete the plan to fix the pay of career service members, and we strongly urge this subcommittee to authorize continued targeting of additional increases for career service members to correct shortcomings in their pay tables.

However, the Coalition does request that DOD outline their plan for targeted raises so that service members, and others who are concerned about military pay, know, and understand the objectives of such differential raises. To the extent that targeted raises are needed, the DOD needs to identify the ultimate "objective pay table" toward which the targeted raises are aimed.

TMC believes all members need and deserve at least a 3.5 percent raise in 2005 to continue progress toward eliminating the existing pay raise comparability shortfall. The Coalition also believes additional targeted raises are needed to address the largest comparability shortfalls for career enlisted members and warrant officers vs. private sector workers with similar education, experience and expertise.

Commissaries

The Coalition continues to be very concerned about preserving the value of the commissary benefit—which is widely recognized as the cornerstone of quality of life benefits and a valued part of the service members' total compensation package.

During the past year, the DOD announced plans to close a number of commissaries, replace the traditional three-star officer serving as chairman of the Commissary Operating Board (COB) with a political appointee, and require a study on instituting variable pricing for commissary products. These proposals are apparently intended to save money by reducing the annual appropriation supporting the Defense Commissary Agency (DeCA), which operates 275 commissaries worldwide. The

COB recommendation is also viewed as another indicator of DOD's ongoing interest in eventually privatizing the benefit.

The Coalition supports cost savings and effective oversight and management. However, we are concerned about the unrelenting pressure on DeCA to cut spending and squeeze additional efficiencies from its operations—despite years of effective reform initiatives and recognition of the agency for instituting improved business practices.

The Coalition is particularly opposed to the concept of variable pricing, which the administration acknowledges is aimed at reducing appropriated funding. This can only come at the expense of reducing benefits for patrons.

The commissary is a highly valued quality of life benefit not quantifiable solely on a dollars appropriated basis. As it has in the past, TMC opposes any efforts to privatize commissaries or reduce benefits to members, and strongly supports full funding of the benefit in fiscal year 2005 and beyond.

TMC opposes all privatization and variable-pricing initiatives and strongly supports full or even enhanced funding of the commissary benefit to sustain the current level of service for all patrons, including Guard and Reserve personnel and their families.

Family Readiness and Support

Family readiness is a key concern for the approximately 60 percent of service members with families. Allocating adequate resources for the establishment and maintenance of family readiness and support programs is part of the cost of effectively fulfilling the military mission.

Service members and their families must understand and be aware of benefits and programs available to them and who to contact with questions and concerns—both at the command level and through the respective Service or DOD—in order to effectively cope with the challenges of deployment. It is also important to meet childcare needs of the military community including Guard and Reserve members who are being called to active duty in ever-increasing numbers.

TMC urges improved family readiness through education and outreach programs and increased childcare availability for service members and their families and associated support structure to assist families left behind during deployments of active duty, Guard and Reserve members.

Education Benefits for Career Service members

Career service members who entered active service between 1 January 1977 and 30 June 1985 and declined to enroll in the Veterans Education Assistance Program (VEAP) are the only group of currently serving members (other than service academy graduates and certain Reserve Officer Training Corps (ROTC) scholarship recipients) who have not been offered an opportunity to enroll in the MGIB. There are approximately 90,000 personnel in this situation. Noteworthy is the fact that many were discouraged from signing up for VEAP, as it was acknowledged then to be a woefully inferior program compared to the Vietnam-era GI Bill and the subsequent MGIB that commenced on 1 July 1985. These senior leaders are the backbone of today's force and critical to the success of the war effort and other military operations. When they complete their careers, they should have been afforded at least an opportunity to say "yes or no" to veterans' education benefits under the MGIB.

TMC strongly recommends authorizing a MGIB sign-up window for career service members who declined VEAP when they entered service.

Basic Allowance for Housing

TMC supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel, for example, are unaware of the standards for their respective pay grade and assume that their BAH level is determined by a higher standard than they may in reality be entitled to. This causes confusion about the mismatch between the amount of BAH they receive and the actual cost of their type of housing. As an example, enlisted members are not authorized to receive BAH for a three-bedroom single-family detached house until achieving the rank of E–9—which represents only 1 percent of the enlisted force—yet many personnel in more junior pay grades do in fact reside in detached homes. The Coalition believes that as a minimum, this BAH standard (single family detached house) should be extended gradually to qualifying service members beginning in grade E–8 and subsequently to grade E–7 and below over several years as resources allow.

The Coalition is most grateful to the subcommittee for acting in 1999 to reduce out-of-pocket housing expenses for service members. Responding to the subcommittee's leadership on this issue, the DOD proposed a similar phased plan to reduce median out of pocket expenses to zero by fiscal year 2005. Through the leadership and support of this subcommittee, these commitments have been put into law. This

aggressive action to better realign BAH rates with actual housing costs is having a real impact and providing immediate relief to many service members and families who were strapped in meeting rising housing and utility costs.

We applaud the subcommittee's action, and hope that this plan can be completed in 2005. Unfortunately, housing and utility costs continue to rise, and the pay comparability gap, while diminished over recent years thanks to the subcommittee's leadership, continues. Members residing off base face higher housing expenses along with significant transportation costs, and relief is especially important for junior enlisted personnel living off base who do not qualify for other supplemental assistance.

TMC urges the subcommittee to direct gradual adjustments in grade-based housing standards to more adequately cover members' current out-of-pocket housing expenses and to complete the elimination of average out-of-pocket housing expenses in fiscal year 2005.

Permanent Change of Station

TMC is most appreciative of the significant increases in the Temporary Lodging Expense (TLE) allowance authorized for fiscal year 2002 and the authority to raise PCS per diem expenses to match those for Federal civilian employees in fiscal year 2003. These are very significant steps to upgrade allowances that had been unchanged in over 15 years. Even with these much-needed changes, however, service members continue to incur significant out-of-pocket costs in complying with government-directed relocation orders.

For example, PCS mileage rates have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile—significantly lower than the temporary duty mileage rate of 37.5 cents per mile for military members and Federal civilians. PCS household goods weight allowances were increased for grades E–1 through E–4, effective January 2003, but weight allowance increases are also needed for E5s and above and officers as well, to more accurately reflect the normal accumulation of household goods over the course of a career.

The Coalition also greatly appreciates the provisions in the NDAA for Fiscal Year 2004 to provide full replacement value for household goods lost or damaged by private carriers during government directed moves, and the Coalition looks forward to the timely implementation of the DOD comprehensive "Families First" plan to improve claims procedures for service members and their families.

The overwhelming majority of service families own two privately owned vehicles (POVs), driven by the financial need for the spouse to work, or the distance some families must live from an installation and its support services. Authority is needed to ship a second POV at government expense to overseas' accompanied assignments. In many overseas locations, families have difficulty managing without a second family vehicle because family housing is often not co-located with installation support services.

Last, with regard to families making a PCS move, members are authorized time off for housing-hunting trips in advance of PCS relocations, but must make any such trips at personal expense, without any government reimbursement such as Federal civilians receive. Further, Federal and State cooperation is required to provide unemployment compensation equity for military spouses who are forced to leave jobs due to the service member's PCS orders. The Coalition also believes continuation of and adequate funding for the Relocation Assistance Program is essential.

We are sensitive to the subcommittee's efforts to reduce the frequency of PCS moves. But we cannot avoid requiring members to make regular relocations, with all the attendant disruptions in their children's education and their spouse's career progression. The Coalition believes strongly that the Nation that requires them to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

TMC urges continued upgrades of permanent change-of-station reimbursement allowances in fiscal year 2005 to recognize that the government, not the service member, should be responsible for paying the cost of government-directed relocations.

Basic Allowance for Subsistence

The Coalition is grateful to the subcommittee for establishing a food-cost-based standard for BAS and ending the 1 percent cap on BAS increases. But more needs to be done to permit single career enlisted members more individual responsibility in their personal living arrangements. In this regard, the Coalition believes it is inconsistent to demand significant supervisory, leadership and management responsibilities of noncommissioned and petty officers, but still dictate to them where and when they must eat their meals while at their home duty station.

TMC urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent of single members residing in government quarters. As a long-

term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E–6 and extending eligibility to lower grades as budgetary constraints allow.

NATIONAL GUARD AND RESERVE ISSUES

TMC applauds the longstanding efforts of this subcommittee to address the needs of our Nation's National Guard and Reserve Forces, to facilitate the Total Force concept as an operational reality, and to ensure that National Guard and Reserve members receive appropriate recognition as full members of the Armed Forces readiness team.

Support of Active Duty Operations

Since September 11, 2001, more than 350,000 members of the National Guard and Reserve have been mobilized and many thousands more are in the activation pipeline. Today, they face all the same challenges as their active counterparts, with a deployment pace greater than any time since World War II.

Guard/Reserve OPTEMPO has placed enormous strains on employers and family members alike. Employer support was always strong when National Guard and Reserve members were seen as a force that would be mobilized only in the event of a major national emergency. That support has become less and less certain as National Guard and Reserve members have taken longer and more frequent leaves of absence from their civilian jobs. Homeland defense and war-on-terror operations continue to place demands on citizen soldiers that were never anticipated under the Total Force Policy.

The Coalition understands and fully supports that policy and the prominent role of the National Guard and Reserve Forces in the national security equation. Still, we are concerned that ever-rising operational employment of these forces is having the practical effect of blurring the distinctions between the missions of the active and National Guard/Reserve Forces. National Guard and Reserve members will likely face stiff resistance with employers and increased financial burdens under the current policy of multiple activations over the course of a Reserve career. Some senior Reserve leaders are in fact alarmed over likely manpower losses if action is not taken to relieve pressures on Guard and Reserve troops.

TMC strongly urges immediate attention to the looming crisis that is placing unprecedented stress on National Guard and Reserve manpower and missions.

Healthcare for Members of the National Guard and Reserve

TMC is most appreciative to Congress for ensuring that the Temporary Reserve Health Care Program was included in the NDAA for Fiscal Year 2004. This program will provide temporary coverage, until December 2004, for National Guard and Reserve members who are uninsured or do not have employer-sponsored health care coverage. TRICARE officials plan to build on existing TRICARE mechanisms to expedite implementation; however, no one is certain how long this will take. Immediate implementation is required.

TMC recommends permanent authorization of cost-share access to TRICARE to support readiness, family morale, and deployment health preparedness for Guard and Reserve service members.

Health insurance coverage varies widely for members of the Guard and Reserve: some have coverage through private employers, others through the Federal Government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Guard and Reserve family members are eligible for TRICARE if the member's orders to active duty are for more than 30 days; but, many of these families would prefer to preserve the continuity of their health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients. Recognizing these challenges for its own reservist-employees, the DOD routinely pays the premiums for the FEHBP when activation occurs. This benefit, however, only affects about 10 percent of the Selected Reserve.

TMC urges the authority for Federal payment of civilian health care premiums (up to the TRICARE limit) as an option for mobilized service members.

Dental readiness is another key aspect of readiness for Guard and Reserve personnel. Currently, DOD offers a dental program to Selected Reserve members and their families. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral

surgery services on a cost-share basis, with an annual maximum payment of $1,200 per enrollee per year. However, only 5 percent of eligible members are enrolled.

During this mobilization, soldiers with repairable dental problems were having teeth pulled at mobilization stations in the interests of time and money instead of having the proper dental care administered. Congress responded by passing legislation that allows DOD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization in support of an operational mission, contingency operation, national emergency, or war. Unfortunately, waiting for an alert to begin screening is too late. During the initial mobilization for Operation Iraqi Freedom (OIF), the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many reservists receiving only days of notice before mobilizing.

TMC recommends expansion of the TRICARE Dental Plan benefits for Guard and Reserve service members. This would allow all National Guard and Reserve members to maintain dental readiness and alleviate the need for dental care during training or mobilization.

Reserve Retirement Upgrade

The fundamental assumption for the Reserve retirement system established in 1947 is that a reservist has a primary career in the civilian sector. But it's past time to recognize that greatly increased military service demands over the last dozen years have cost tens of thousands of reservists significantly in terms of their civilian retirement accrual, civilian 401(k) contributions, and civilian job promotions.

The DOD routinely relies upon the capabilities of the Reserve Forces across the entire spectrum of conflict from homeland security to overseas deployments and ground combat. This reliance is not just a trend—it's a central fixture in the national security strategy. Since September 11, 2001, more than 350,000 Reserve component service members have been called to extended active duty. That represents almost 40 percent of the "drilling" Reserve Force structure—those assigned to military positions and training regularly. These activations are expected to continue, absent a significant adjustment either in mission allocation or end strength. The DOD, however, has shown little interest in reducing the burden on the Reserve Forces. Inevitably, civilian career potential and retirement plans will be hurt by frequent and lengthy activations.

The time has come to recognize the Reserve retirement system as a complement, rather than a supplement to civilian retirement programs. Failing to acknowledge and respond to the changed environment could have far-reaching, catastrophic effects on Reserve participation and career retention.

TMC urges a reduction in the age when a Guard/Reserve component member is eligible for retired pay to age 55 as an option for those who qualify for a non-regular retirement.

Selected Reserve Montgomery GI Bill (SR–MGIB) Improvements

Individuals who first become members of the National Guard or Reserve are eligible for the SR–MGIB.

Unlike the basic MGIB (chapter 30, title 38), chapter 1606 of title 10 governs the Reserve GI Bill program. The problem is that the Reserve SR–MGIB program competes with National Guard and Reserve pay accounts for funding. During the first 14 years of the SR–MGIB, benefits maintained 47 percent comparability with the basic MGIB. But, in the last 5 years, the SR–MGIB has slipped to 29 percent of the basic program. This occurred at a time when the Guard and Reserve have been mobilized and deployed unlike any time since World War II. The Coalition believes that total force equity requires proportional adjustments to the SR–MGIB whenever benefits rise under the regular MGIB. One way to facilitate this objective is to transfer basic funding authority for "chapter 1606" (10 USC) benefits program to title 38.

TMC recommends a three-phased increase in SR–MGIB benefits to restore it to its original value at 47 percent of the MGIB rate. The Coalition also recommends transfer of the Reserve SR–MGIB authority from title 10 to title 38 to permit proportional benefit adjustments in the future.

Guard/Reserve Family Support Programs

Guard and Reserve families have been called upon to make more and more sacrifices as OIF and Operation Enduring Freedom (OEF) continue. These families represent communities throughout the Nation—and most of these communities are not close to military installations. As a result, these families members face unique chal-

lenges since they do not have access to traditional family support services that their active duty counterparts have on military installations.

Providing a core set of family programs, not bound by geographic location, would help these families meet these challenges. While many programs are already in place, there is a need for uniform availability of these programs to all Reserve component families. These programs include, but are not limited to: State and regional family assistance centers; a responsive and flexible child care system to meet the unique needs of Reserve families; a family support structure that recognizes that Reserve families do not have much experience with military life and need more information about the services available to them and how to access the various support systems; and, finally, funding for staffing since volunteers have been providing these support services, many of them experiencing similar difficulties with their sponsors deployed.

We applaud the support shown to families by community organizations like the American Red Cross, the American Legion, the Veterans of Foreign Wars (VFW) and local Chambers of Commerce. But with the continued and sustained activation of the Reserve component, a stronger support structure needs to be implemented and sustained.

TMC urges that adequate funding be made available for a core set of family support programs and benefits that meet the unique needs of Guard and Reserve component families.

Retirement Credit for All Earned Drill Points

The role of the National Guard and Reserve has changed significantly under the Total Force Policy. During most of the Cold War era, the maximum number of inactive duty training (IDT) points that could be credited was 50 per year. The cap has since been raised on 3 occasions to 60, 75 and most recently, to 90 points.

However, the fundamental question is why National Guard and Reserve members are not permitted to credit all the IDT that they've earned in a given year towards their retirement. The typical member of the National Guard and Reserve consistently earns IDT points above the 90-point maximum. Placing a ceiling on the amount of training that may be credited for retirement serves as a disincentive to professional development and takes unfair advantage of National Guard and Reserve service members' commitment to mission readiness.

TMC recommends lifting the 90-point cap on the number of IDT points earned in a year that may be credited for National Guard and Reserve retirement purposes.

SURVIVOR PROGRAM ISSUES

The Coalition thanks the subcommittee for past support of improvements to the SBP including the provision in the NDAA for Fiscal Year 2002 that extended SBP eligibility to members who die on active duty, regardless of years of service, and the fiscal year 2004 provision that improved election options for these survivors. These actions helped a great deal in addressing a longstanding survivor benefits disparity.

But very serious SBP inequities remain to be addressed. The Coalition hopes that this year the subcommittee will be able to support, at the very least, an increase in the minimum SBP annuity for survivor's age 62 and older.

Age-62 SBP Annuity Increase

Since SBP was first enacted in 1972, retirees and survivors have inundated DOD, Congress, and military associations with letters decrying the reduction in survivors' SBP annuities that occurs when the survivor attains age 62. Before age 62, SBP survivors receive an annuity equal to 55 percent of the retiree's SBP covered retired pay. At age 62, the annuity is reduced to a lower percentage, down to a floor of 35 percent of covered retired pay. For many older retirees, the amount of the reduction is related to the amount of the survivor's Social Security benefit that is attributable to the retiree's military service. For members who attained retirement eligibility after 1985, the post-62 benefit is a flat 35 percent of covered retired pay.

Although this age-62 reduction, or offset, was part of the initial SBP statute, large numbers of members who retired in the 1970s (or who retired earlier but enrolled in the initial SBP open season) were not informed of it at the time they enrolled. This is because the initial informational materials used by DOD and the Services to describe the program made no mention of the age-62 offset. Thousands of retirees signed up for the program in the belief that they were ensuring their spouses would receive 55 percent of their retired pay for life. Many retirees who are elderly and in failing health, with few other insurance alternatives available at a reasonable cost, are understandably very bitter about what they consider the government's "bait and switch" tactics.

They and their spouses are also stunned to learn that the survivor reduction attributed to the retiree's Social Security-covered military earnings applies even to widows whose Social Security benefit is based on their own work history.

To add to these grievances, the originally intended 40 percent government subsidy for the SBP program—which has been cited for more than two decades as an inducement for retirees to elect SBP coverage—has declined to less 19 percent. This is because retiree premiums were established in statute in the expectation that retiree premiums would cover 60 percent of expected long-term SBP costs, based on the DOD Actuary's assumptions about future inflation rates, interest rates, and mortality rates. However, actual experience has proven these assumptions far too conservative, so that retiree premiums now cover 81 percent of expected SBP benefit costs. In effect, retirees are being charged too much for the long-promised benefit, and the government is contributing less to the program than Congress originally intended.

This is not the first time the subsidy has needed to be addressed. After the subsidy had declined below 28 percent in the late 1980s, Congress acted to restore the balance by reducing retiree premiums. Now that the situation is far worse, the Coalition believes strongly that the balance should be restored this time by raising the benefit for survivors.

The chart below highlights another significant inequity—the much higher survivor annuity percentage and subsidy percentage the government awards to Federal civilian (including Members of Congress) survivors compared to their military counterparts.

FEDERAL CIVILIAN VS. MILITARY SBP ANNUITY AND SUBSIDY

[Percent]

	CSRS [1]	FERS [2]	Military
Post-62 of Ret. Pay	55	50	35
Gov't Subsidy	48	33	19

[1] Civil Service Retirement System
[2] Federal Employees Retirement System

Because service members retire at younger ages than Federal civilians, retired service members pay premiums for a much longer period. The combination of greater premium payments and lower age-62 benefits leave military retirees with a less advantageous premium-to-benefit ratio—and therefore a far lower Federal survivor benefit subsidy than their retired Federal civilian counterparts.

The NDAA for Fiscal Year 2001 included a "Sense of Congress" provision specifying that legislation should be enacted to increase the SBP age-62 annuity to "reduce and eventually eliminate" the different levels of annuities for survivors age 62 and older versus those for younger survivors. But that statement of support remains to be translated into substantive relief.

TMC strongly supports legislation sponsored by Senator Mary Landrieu and Represenative Jeff Miller (S. 1916 and H.R. 3763, respectively) that, if enacted, would eliminate the disparity over a 10-year period—raising the minimum SBP annuity to 40 percent of SBP-covered retired pay on October 1, 2005; to 45 percent in 2008; and to 55 percent in 2014.

We appreciate only too well the cost and other challenges associated with such mandatory spending initiatives, and believe this incremental approach offers a reasonable balance between the need to restore equity and the need for fiscal discipline. The cost could be partially offset by authorizing an open enrollment season to allow currently non-participating retirees to enroll in the enhanced program, with a late-enrollment penalty tied to the length of time since they retired. A similar system was used with the last major program change in 1991.

TMC strongly recommends elimination of the age-62 SBP annuity reduction. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 1916 and H.R. 3763.

30-Year Paid-Up SBP

Congress approved a provision in the NDAA for Fiscal Year 1999 authorizing retired members who had attained age 70 and paid SBP premiums for at least 30 years to enter "paid-up SBP" status, whereby they would stop paying any further premiums while retaining full SBP coverage for their survivors in the event of their death. Because of cost considerations, the effective date of the provision was delayed until October 1, 2008.

As a practical matter, this means that any SBP enrollee who retired on or after October 1, 1978 will enjoy the full benefit of the 30-year paid-up SBP provision. However, members who enrolled in SBP when it first became available in 1972 (and who have already been charged higher premiums than subsequent retirees) will have to continue paying premiums for up to 36 years to secure paid-up coverage.

TMC is very concerned about the delayed effective date, because the paid-up SBP proposal was initially conceived as a way to grant relief to those who have paid SBP premiums from the beginning. Many of these members entered the program when it was far less advantageous and when premiums represented a significantly higher percentage of retired pay. In partial recognition of this problem, SBP premiums were reduced substantially in 1991, but these older members still paid the higher premiums for up to 18 years. The Coalition believes strongly that their many years of higher payments warrant at least equal treatment under the paid-up SBP option, rather than forcing them to wait 5 more years for relief, or as many retirees believe, waiting for them to die off.

TMC recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2004.

SBP–DIC Offset

Currently, SBP survivors whose sponsors died of service-connected causes have their SBP annuities reduced by the amount of DIC payable by the VA.

The Coalition believes this offset is not appropriate, because the SBP and DIC programs serve distinct purposes. SBP is a retiree-purchased program, which any retiring member can purchase to provide the survivor a portion of his or her retirement. DIC, on the other hand, is special indemnity compensation to the survivor of a member whose service caused his or her death. The Coalition believes strongly that the government owes extra compensation ("double indemnity compensation," in essence, rather than "substitute compensation") in cases in which the member's death was caused by his or her service.

Although the survivor whose SBP is reduced now receives a pro-rata rebate of SBP premiums, the survivor needs the annuity, not the premium refund. Award of DIC should not reduce award of SBP any more than it reduces payment of the Servicemembers' Group Life Insurance (SGLI) benefit.

TMC recommends eliminating the DIC offset to SBP annuities, recognizing that the two compensations serve different purposes, and one is not substitutable for the other.

RETIREMENT ISSUES

TMC is grateful to the subcommittee for its historical support of maintaining a strong military retirement system to help offset the extraordinary demands and sacrifices inherent in a career of uniformed service.

Concurrent Receipt of Military Retired Pay and VA Disability Compensation

TMC applauds Congress for the landmark provisions in the NDAA for Fiscal Year 2004 that expand combat related special compensation to all retirees with combat-related disabilities and authorizes—for the first time ever—the unconditional concurrent receipt of retired pay and veterans' disability compensation for retirees with disabilities of at least 50 percent. Disabled retirees everywhere are extremely grateful for this subcommittee's action to reverse an unfair practice that has disadvantaged disabled retirees for over a century.

While last year's concurrent receipt provisions will benefit tens of thousands of disabled retirees, an equal number were left behind. The fiscal challenge notwithstanding, the principle behind eliminating the disability offset for those with disabilities of 50 percent is just as valid for those with 40 percent and below and the Coalition urges the subcommittee to extend this principle to the thousands of disabled retirees who were left out of last year's legislation.

We understand that a significant concern among some critics that prevented broader concurrent receipt action was the need for a review of the VA disability system. The Coalition believes much of the concern is misplaced, and that the VA system should be able to withstand reasonable scrutiny. The Coalition stands ready to assist the Veterans' Disability Benefits Commission and participate in the debate with relevant information and data affecting a full spectrum of disabled veterans and their families and survivors. Most importantly, the Coalition urges the subcommittee to ensure that the commission remains focused on the fundamental principles that have served as the foundation for both the DOD disability retirement and VA disability compensation processes—principles of fairness, due process, and the unique aspect that military duty is 24/7. We look forward to completion of the

review and revalidation of the process as important steps toward resolving concurrent receipt inequity.

TMC urges subcommittee leaders and members to be sensitive to the need for further adjustments to last year's concurrent receipt provision and to eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the subcommittee to ensure the Veterans' Disability Benefits Commission protects the principles guiding the DOD disability retirement program and VA disability compensation system.

Final Retired Paycheck

TMC believes the policy requiring the recovery of a deceased member's final retired paycheck from his or her survivor should be changed to allow the survivor to keep the final month's retired pay payment.

Current regulations led to a practice that requires the survivor to surrender the final month of retired pay, either by returning the outstanding paycheck or having a direct withdrawal recoupment from his or her bank account. The Coalition believes this is an insensitive policy coming at the most difficult time for a deceased member's next of kin. Unlike his or her active duty counterpart, the retiree will receive no death gratuity. Many of the older retirees will not have adequate insurance to provide even a moderate financial cushion for surviving spouses. Very often, the surviving spouse has had to spend the final retirement check/deposit before being notified by the military finance center that it must be returned. Then, to receive the partial month's pay of the deceased retiree up to the date of death, the spouse must file a claim for settlement—an arduous and frustrating task, at best—and wait for the military's finance center to disburse the payment. Far too often, this strains the surviving spouse's ability to meet the immediate financial obligations commensurate with the death of the average family's "bread winner."

TMC strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.

Former Spouse Issues

TMC recommends corrective legislation be enacted to eliminate inequities in the Uniformed Services Former Spouse Protection Act (USFSPA) that were created through years of well-intended, piecemeal legislative action initiated outside the subcommittee.

The Coalition supports the recommendations in the DOD's September 2001 report, which responded to a request from this committee for an assessment of USFSPA inequities and recommendations for improvement. The DOD recommendations to allow the member to designate multiple survivor benefit plan beneficiaries would eliminate the current unfair restriction that denies any SBP coverage to a current spouse if a former spouse is covered, and would allow dual coverage in the same way authorized by Federal civilian SBP programs. The Coalition also recommends that the Defense Finance and Accounting Service (DFAS) be required to make direct payments to the former spouses, regardless of length of marriage; the 1-year deemed election period for SBP eligibility be eliminated; if directed by a valid court order, DFAS should be required to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse; and DFAS should be authorized to garnish ordered, unpaid child support payments from the former spouse's share of retired pay. Also, DOD recommends that prospective award amounts to former spouses should be based on the member's grade and years of service at the time of divorce—rather than at the time of retirement. The Coalition supports this proposal since it recognizes that a former spouse should not receive increased retired pay that is realized from the member's service and promotions earned after the divorce.

The Coalition believes that, at a minimum, the subcommittee should approve those initiatives that have the consensus of the military and veterans' associations, including the NMFA. The Coalition would be pleased to work with the subcommittee to identify and seek consensus on other measures to ensure equity for both service members and former spouses.

TMC recommends corrective legislation be enacted to eliminate the inequities in the administration of the USFSPA, to include consideration of the recommendations made by the DOD in their 2001 USFSPA report.

Tax Relief for Uniformed Services Beneficiaries

To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance programs, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries,

these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the Internal Revenue Service (IRS).

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 presidential directive allowing Federal civilian employees to pay premiums for their FEHBP coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the subcommittee will lend its support to this legislation and help ensure equal treatment for all military and Federal beneficiaries.

The Coalition urges the subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRDP, FEHBP, and Long Term Care.

HEALTH CARE TESTIMONY 2004

TMC is most appreciative of the subcommittee's exceptional efforts over several years to honor the government's health care commitments to all uniformed services beneficiaries. These subcommittee-sponsored enhancements represent great advancements that should significantly improve health care access while saving all uniformed services beneficiaries thousands of dollars a year. The Coalition particularly thanks the subcommittee for last year's outstanding measures to address the needs of TRICARE standard beneficiaries as well as to provide increased access for members of the Guard and Reserve components.

While much has been accomplished, we are equally concerned about making sure that subcommittee-directed changes are implemented and the desired positive effects actually achieved. We also believe some additional initiatives will be essential to providing an equitable and consistent health benefit for all categories of TRICARE beneficiaries, regardless of age or geography. The Coalition looks forward to continuing our cooperative efforts with the subcommittee's members and staff in pursuit of this common objective.

FULL FUNDING FOR THE DEFENSE HEALTH BUDGET

Once again, a top coalition priority is to work with Congress and DOD to ensure full funding of the Defense health budget to meet readiness needs—including graduate medical education and continuing education, full funding of both direct care and purchased care sectors, providing access to the military health care system for all uniformed services beneficiaries, regardless of age, status or location. A fully funded health care benefit is critical to readiness and the retention of qualified uniformed service personnel.

The subcommittee's oversight of the Defense health budget is essential to avoid a return to the chronic underfunding of recent years that led to execution shortfalls, shortchanging of the direct care system, inadequate equipment capitalization, failure to invest in infrastructure and reliance on annual emergency supplemental funding requests as a substitute for candid and conscientious budget planning.

We are grateful that last year, Congress provided supplemental appropriations to meet growing requirements in support of the deployment of forces to Southwest Asia and Afghanistan in the global war against terrorism.

But we are concerned by reports from the Services that the current funding level falls short of that required to meet current obligations and that additional supplemental funding will once again be required. For example, we have encountered several instances in which local hospital commanders have terminated service for retired beneficiaries at military pharmacies, citing budget shortfalls as the reason. Health care requirements for members returning from Iraq are also expected to strain the military delivery system in ways that we do not believe were anticipated in the budgeting process.

Similarly, implementation of the TRICARE Standard requirements in last year's authorization act—particularly those requiring actions to attract more TRICARE providers—will almost certainly require additional resources that we do not believe are being budgeted for.

Financial support for these increased readiness requirements, TRICARE provider shortfalls and other needs will most likely require additional funding.

TMC strongly recommends the subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DOD peacetime health care mission. It is critical that the Defense health budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

Pharmacy Cost Shares for Retirees

Late last year, the OMB and the DOD considered a budget proposal that envisioned significantly increasing retiree cost shares for the TRICARE pharmacy benefit, and initiating retiree copays for drugs obtained in the direct care system. While the proposal was put on hold for this year, the Coalition is very concerned that DOD is undertaking a review that almost certainly will recommend retiree copay increases in fiscal year 2006.

Thanks to the efforts of this subcommittee, it was less than 3 years ago that Congress authorized the TRICARE Senior Pharmacy Program (TSRx) and DOD established $3 and $9 copays for all beneficiaries. Defense leaders highlighted this at the time as "delivering the health benefits military beneficiaries earned and deserve." But the Pentagon already has changed the rules, with plans to remove many drugs from the uniform formulary and raise the copay on such drugs to $22.

Now, there are new proposals to double and triple the copays for drugs remaining in the formulary—to $10 and $20, respectively. One can only surmise that this would generate another substantial increase in the non-formulary copay—perhaps even before the $22 increase can be implemented.

Budget documents supporting the change rationalized that raising copays to $10/$20 would align DOD cost shares with those of the VA system. This indicates a serious misunderstanding of the VA cost structure, unless the administration also plans to triple VA cost shares. At the present time, the VA system requires no copayments at all for medications covering service-connected conditions, and the cost share for others is $7.

The Coalition believes Congress will appropriate the funds needed to meet uniformed services retiree health care commitments if only the administration will budget for it. The Coalition is concerned that DOD does not seem to recognize that it has a unique responsibility as an employer to those who served careers covering decades of arduous service and sacrifice in uniform. Multiple administrations have tried to impose copays in military medical facilities, and Congress has rejected that every time. We hope and trust that will continue.

The Coalition vigorously opposes increasing retiree cost shares that were only recently established. Congress's recent restoration of retiree pharmacy benefits helped restore active duty and retired members' faith that their government's health care promises would be kept. If implemented, this proposal would undermine that trust, which in the long term, can only hurt retention and readiness.

TMC urges the subcommittee to continue to reject imposition of cost shares in military pharmacies and oppose increasing other pharmacy cost shares that were only recently established. We urge the subcommittee to ensure that Beneficiary Advisory Groups' inputs are included in any studies of pharmacy services or copay adjustments.

TRICARE FOR LIFE (TFL) IMPLEMENTATION

The Coalition is pleased to report that, thanks to this subcommittee's continued focus on beneficiaries, TMC representatives remain actively engaged in an Office of the SECDEF (OSD)-sponsored action group, the TRICARE Beneficiary Panel. This group was formed initially to deal with TFL implementation. Subsequently the group has broadened its scope from refining TFL to tackling broader TRICARE beneficiary concerns. We are most appreciative of the positive working relationship that has evolved and continues to grow between the Beneficiary Panel and the staff at the TRICARE Management Authority (TMA). This collegiality has gone a long way toward making the program better for all stakeholders. From our vantage point, TMA continues to be committed to implementing TFL and other health care initiatives consistent with congressional intent and continues to work vigorously toward that end.

The Coalition is concerned that some "glitches" for TFL beneficiaries remain. The Beneficiary Panel has provided a much-needed forum to exchange DOD and beneficiary perspectives and identify corrective actions. However, some issues are beyond the policy purview of the department and require congressional intervention. The Coalition has identified certain statutory limitations and inconsistencies that we believe need adjustment to promote an equitable benefit for all beneficiaries, regardless of where they reside.

Permanent ID Card for Dependents Over the Age of 65

With the advent of TFL, expiration of TFL-eligible spouses' and survivors' military identification cards—and the threatened denial of health care claims—has caused our frail and elderly members and their caregivers significant administrative and financial distress.

Previously, many of them who lived miles from a military installation or who resided in nursing homes and assisted living facilities simply did not bother to renew their ID cards upon the 4-year expiration date. Before enactment of TFL, they had little to lose by not doing so. But now, ID card expiration cuts off their new and all-important health care coverage.

A 4-year expiration date is reasonable for younger family members and survivors who have a higher incidence of divorce and remarriage, but it imposes significant hardship and inequity upon elderly dependents and survivors.

The Coalition is concerned that many elderly spouses and survivors with limited mobility find it difficult or impossible to renew their military identification cards. A number of seniors are incapacitated and living in residential facilities, some cannot drive, and many more do not live within a reasonable distance of a military facility. The threat of loss of coverage is forcing many elderly spouses and survivors to try to drive long distances—sometimes in adverse weather, and at some risk to themselves and others—to get their cards renewed.

Renewal by mail can be confusing, and obtaining information on Service- and locality-specific mail-order renewal requirements can be very difficult for beneficiaries or their caregivers. Those who cannot contend with the daunting administrative requirements now face a terrible and unfair penalty.

The Coalition strongly urges the subcommittee direct the SECDEF to authorize issuance of permanent military identification cards to uniformed services family members and survivors who are age 65 and older, with appropriate guidelines for notification and surrender of the ID card in those cases in which eligibility is ended by divorce or remarriage.

Access to TSRx for Nursing Home Beneficiaries

Once again, the Coalition would like to bring to the subcommittee's attention the plight faced by TSRx beneficiaries residing in nursing homes who continue to encounter limitations in utilizing the TSRx benefit. The Coalition is most grateful for report language contained in House Armed Services Committee Report, Public Law 107–436, regarding waiver of the TSRx deductible for such beneficiaries. The subcommittee directed the SECDEF to implement policies and regulations or make any legislative changes to waive the annual deductible for these patients, and report to the Armed Services Committees by March 31, 2003.

By way of review for the subcommittee, because of state pharmacy regulations, patient safety concerns and liability issues, the vast majority of nursing homes have limitations on dispensing medications from outside sources. In rare cases where the nursing home will accept outside medications, some beneficiaries have been successful in accessing medications via a local TRICARE network pharmacy or the TRICARE Mail Order Pharmacy (TMOP). These fortunate individuals use the TSRx program with the lower cost shares designated for participating pharmacy services.

However, the vast majority of nursing home residents must rely on the nursing home to dispense medications. As a result, these beneficiaries must seek TRICARE reimbursement for these medications and in most cases, this is treated as a non-network pharmacy—which means the individual is responsible for a $150 deductible ($300 if there is a family), plus higher copayments per prescription. The TRICARE non-network pharmacy deductible policy was intended to create an incentive for beneficiaries to use the TMOP or retail network pharmacies. However, this policy unintentionally penalizes beneficiaries in nursing homes who have no other options.

One solution is to work with the nursing home to have them to sign on as a network pharmacy. But experience indicates that few if any nursing homes are willing to become TRICARE authorized pharmacies, thus subjecting helpless beneficiaries to deductibles and increased cost shares—as if they had voluntarily chosen to use a non-network pharmacy.

A Pentagon report to Congress last May states "the use of non-network pharmacy services by TRICARE beneficiaries residing in nursing homes in not widespread." The Coalition strongly disagrees. In fact, because no effort has been made to educate beneficiaries or nursing homes about this problem, the vast majority of beneficiaries residing in nursing homes are not even aware that they have the ability to file paper claims for reimbursement.

The report further states,

> "When such occurrences have been brought to our attention, we have consistently been able to deal with this issue on a case-by-case basis and have

been universally successful in either identifying a network pharmacy that can serve the nursing home beneficiary, or bringing the non-network pharmacy used by the nursing home into the TRICARE network."

The Coalition takes great exception to this unfounded assertion. Our experience with actual members indicates a nearly universal lack of success in resolving this issue.

Pharmacy cost shares were established to direct beneficiaries to a more cost effective point of access. However, many of our frail and elderly beneficiaries are now residing in institutions where circumstances preclude them from accessing the TRICARE pharmacy at network cost shares. The Coalition asks the subcommittee to take action to end this financial burden to those whose circumstances are out of their control.

TMC urges the subcommittee to direct DOD to take action to provide outreach and education for beneficiaries attempting to deem nursing homes as TRICARE authorized pharmacy services. In those instances where the residential facility will not participate in the TRICARE program, DOD must be directed to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries who cannot access network pharmacies due to physical or medical constraints.

Initial Preventive Physical Examination

The Coalition is grateful that sec. 611 (Public Law 108–173), the Medicare Prescription Drug Improvement, and Modernization Act. Sec. 611 authorizes an initial preventative physical examination for Medicare-eligible beneficiaries turning 65. We are most appreciative of this effort to address preventive care for seniors. This one-time examination is not a covered TRICARE benefit.

Because this is a Medicare benefit and not a TRICARE benefit, TFL beneficiaries are liable for all Medicare co-payments. The billed charge may not exceed 115 percent of the Medicare Maximum Allowable Charge (MMAC). If the beneficiary's provider charges the maximum allowed by law (115 percent of the MMAC), Medicare would pay 80 percent and the beneficiary would be liable for co-payments of up to 35 percent of MMAC. If the provider accepts Medicare assignment, the TFL beneficiary would be responsible for a 20-percent cost share.

Therefore, in order to prevent TFL beneficiaries from incurring this out of pocket cost, the Coalition requests that the TRICARE benefit package be modified to mirror this new Medicare enhancement.

TMC requests that the subcommittee take steps to authorize the initial preventive physical examination (sec. 611 of Public Law 108–173) as a TRICARE benefit for over-65 Medicare-eligible uniformed services beneficiaries.

The President's Task Force to Improve Health Care Delivery for Our Nation's Veterans

The Coalition has endorsed the final report of the President's Task Force (PTF) to Improve Health Care Delivery for Our Nation's Veterans. It is the Coalition's hope that this subcommittee will take action on many of the PTF recommendations and work with the Veteran's Affairs Committee, the DOD, and the Department of Veterans' Affairs (VA) to move forward with greater collaborative efforts to enhance health care delivery for those who have earned these benefits through service to their country in uniform.

A significant goal is a seamless transition to veteran status for retirees or for those separating—relying on collaboration for success. As soon as an individual enters the armed services, both agencies have a stake in their health status. Therefore, in order to provide quality health care, that information must be shared between the VA and DOD.

Lessons learned from the first Gulf War taught us that a better job must be done to collect, track, and analyze occupational exposure data. Without this information, benefits determinations cannot be fairly adjudicated, nor can the causes of service related disorders be understood. Last year, DOD initiated an enhanced post-deployment health assessment process for service members deployed in support of OIF. The outcome of this project will be a marker to determine if this PTF recommendation is being implemented effectively.

To do so, both agencies must share this exposure information and any other health status data electronically. VA and DOD will have to complete development of an interoperable bi-directional EMR—the lynchpin to a seamless transition. The technology exists but the will must be found to move forward to completion.

Another important recommendation is "the one-stop physical" upon separation or retirement. Offering one discharge physical, providing outreach and referrals for a VA Compensation and Pension examination, as well as following up on claims adjudication and rating is not just more cost effective in terms of capital and human

resources; it is the right thing to do—to ensure that service members receive the benefits they have earned and deserve.

The Government has been talking about developing an electronic DD 214 for years, yet the document remains in paper format. Initial start-up costs would be paid back many times over in efficiencies gained. This is not just a matter of conserving resources. It is essential to remove barriers that hamper the benefits determination process.

Other commissions have worked to the same effort in the past, only to have their recommendations sit on the shelf. Successful implementation will require congressional authority and additional funding.

TMC asks the subcommittee to work with the Veteran's Affairs Committee and the VA and DOD to ensure action on the PTF recommendations including a seamless transition, a bi-directional EMR, enhanced post-deployment health assessment, and implementation of an electronic DD214.

TRICARE IMPROVEMENTS

TRICARE Standard Improvements

The Coalition is most grateful for the subcommittee's extraordinary efforts in the NDAA for Fiscal Year 2004 to improve the TRICARE Standard program. This legislation goes a long way toward addressing the number one concern expressed by our collective memberships—access to care for standard beneficiaries.

Benefits already have been significantly enhanced for Medicare-eligibles, and for active duty beneficiaries in Prime and the Prime Remote program. This new legislation will address the needs of the 3.2 million TRICARE Standard beneficiaries, many of whom find it difficult or impossible to find a standard provider. The Coalition is firmly committed to working with Congress, DOD, and the Health Services Support Contractors (HSSCs) to facilitate prompt implementation of these provisions.

DOD will be required to track provider participation (including willingness to accept new patients), appoint a specific official responsible for ensuring participation is sufficient to meet beneficiary needs, recommend other actions needed to ensure the viability of the standard program, develop an outreach program to help beneficiaries find standard providers, educate them about the benefit, and provide problem resolution services for beneficiaries experiencing access problems or other difficulties.

The Coalition is well aware that DOD has a full plate this year managing the transition of many new TRICARE contracts and implementation of major legislative initiatives, including those for the Guard and Reserve components. We are concerned that DOD's resources may be stretched thin, and the standard enhancements may take a low priority while other issues are addressed.

TMC urges the subcommittee's continued oversight to ensure DOD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for standard beneficiaries.

Provider Reimbursement

The Coalition appreciates the subcommittees efforts to address provider reimbursement needs in the NDAA for Fiscal Year 2004 (Public Law 108–136). We recognize that part of the problem is endemic to the Medicare reimbursement system, to which TRICARE rates are tied.

The Coalition is greatly troubled that a flaw in the provider reimbursement formula led the Centers for Medicare and Medicaid (CMS) to cut Medicare fees 5.4 percent in recent years, and would have generated additional cuts in 2003 and 2004 if not for last-minute legislative relief.

Cuts in Medicare (and thus TRICARE) provider payments, on top of providers' increasing overhead costs and rapidly rising medical liability expenses, seriously jeopardizes providers' willingness to participate in these programs. Provider resistance is much more pronounced for TRICARE than Medicare for a variety of social, workload, and administrative reasons. Provider groups tell us that TRICARE is the lowest-paying program they deal with, and often causes them the most administrative problems. This is a terrible combination of perceptions if you are a TRICARE Standard patient trying to find a doctor.

The situation is growing increasingly problematic as deployments of large numbers of military health professionals diminish the capacity of the military's direct health care system. In this situation, more and more TRICARE patients have to turn to the civilian sector for care—thus putting more demands on civilian providers

who are reluctant to take an even larger number of beneficiaries with relatively low-paying TRICARE coverage.

The Coalition believes this is a readiness issue. Our deployed service men and women need to focus on their mission, without having to worry whether their family members back home can find a provider. Uniformed services beneficiaries deserve the Nation's best health care, not the cheapest.

Congress did the right thing by reversing the erroneous proposed provider payment cuts due to be implemented March 1, 2003 and January 1, 2004 and instead provided 1.6 percent and 1.5 percent payment increases, respectively. But the underlying formula needs to be solved to eliminate the need for perennial "band-aid" corrections.

The Coalition is aware that jurisdiction over the Medicare program is not within the authority of the Armed Services Committees, but the adverse impact of depressed rates on all TRICARE beneficiaries warrants a special subcommittee effort to find a way to solve the problem.

TMC requests the subcommittee's support of any means to raise Medicare and TRICARE rates to more reasonable standards and to support measures to address Medicare's flawed provider reimbursement formula.

Disproportionate Share Payments

The Coalition is grateful for report language contained in the Senate Armed Services Committee Report 108–046 encouraging DOD to review and consider alignment of the TRICARE payment schedule with Medicare's disproportionate share payment adjustment to children's hospitals. The subcommittee expressed concern about access when children's hospitals provide care to TRICARE beneficiaries with high-cost, complex medical needs where TRICARE reimbursement rates do not cover the cost of care provided.

Authorizing increased payments to hospitals that serve a disproportionately large number of TRICARE beneficiaries based on Medicare's Disproportionate Share (DSH) payment adjustment makes great sense. It is every bit as important that DOD safeguard access to care for uniformed services beneficiaries as for Medicare beneficiaries, and we need to encourage facilities to continue to serve this high-priority (but relatively low-revenue-generating) population.

TMC urges the subcommittee to further align TRICARE with Medicare by adapting the Medicare DSH payment adjustment to compensate hospitals with larger populations of TRICARE beneficiaries.

Administrative Burdens

Despite significant initiatives designed to improve the program, providers continued to complain of low and slow payments, as well as burdensome administrative requirements. Once providers have left the TRICARE system, promises of increased efficiencies do little to encourage them to return. Only by easing the administrative burden on providers and building a simplified and reliable claims system that pays in a timely way can Congress and DOD hope to establish TRICARE as an attractive program to providers and a dependable benefit for beneficiaries.

Lessons learned from TFL implementation demonstrate the effectiveness of using one-stop electronic claims processing to make automatic TRICARE payments to Medicare-providers. TFL dramatically improved access to care for Medicare-eligibles by relying on existing Medicare policies to streamline administrative procedures and claims processing, making the system simple for providers, and paying claims on time.

The Coalition is grateful to the subcommittee for its actions in the NDAA for Fiscal Year 2003 designating Medicare providers as TRICARE authorized providers and requiring DOD to adopt claims requirements that mirror Medicare's, effective upon implementation of the new TRICARE contracts (TNEX).

The Coalition remains concerned with the caveat under sec. 711 of the NDAA for Fiscal Year 2003 that claim information is limited to that required for Medicare claims "except for data that is unique to the TRICARE program." This provision allows TRICARE claims to be more complex than that of private sector practices. One example is the requirement to provide a TRICARE specific claim data element identifying a provider by the physical location where service was provided (geography). This can be problematic for medical practices with many providers delivering services in numerous localities. Medicare is much simpler requiring only one identifier. The Coalition is hopeful that the HIPPA requirement for a national provider indicator (NPI) will alleviate this issue, but the implementation of the NPI has been pushed back to 2007.

We do not know how these unique data elements enhance TRICARE claims processing, but we do know that both Medicare and the private sector adjudicate claims

more cost effectively and efficiently without such additional requirements. We also know that the more requirements the TRICARE claims system imposes on providers, the less willing they are to put up with it. The claims system should be designed to accommodate providers' and beneficiaries' needs rather than compelling them to jump through additional administrative hoops for TRICARE's convenience.

TMC urges the subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

TRICARE Prime (Remote) Improvements

The Coalition is grateful for the NDAA for the fiscal year 2003 provision (sec. 702) that addresses continued TRICARE eligibility of dependents residing at remote locations when their sponsor's follow on orders are an unaccompanied assignment.

This provision allows these families to retain the TRICARE Prime Remote (TPR) benefit and will go a long way to provide support for families remotely assigned who face a period of time living without their sponsor. But one problem remains.

As written, TPR benefits are authorized only if the dependents remain at the former duty site. When the member is assigned away from the family, there can be many good reasons why the family left behind may wish to relocate to another area while awaiting the end of the sponsor's unaccompanied tour. Many dependents wish to relocate to be with their families or other support groups while waiting for the service member to return. In those cases where the government is willing to pay for the family's relocation for this purpose, it seems inappropriate to force the family out of the TPR program if TRICARE Prime is not available at the location where the family will reside.

It is in the government's interest to ensure family members left behind receive the best support they can. We should not write the TPR rules in punitive ways that penalize family members who use a government-authorized move to their most appropriate location during the member's absence.

TMC requests that the subcommittee authorize family members who are eligible for TPR to retain their eligibility when moving to another TPR area when the government funds such move and there is no reasonable expectation that the service member will return to the former duty station.

Coordination of Benefits and the 115 percent Billing Limit Under TRICARE Standard

In 1995, DOD unilaterally and arbitrarily changed its policy on the 115 percent billing limit in cases of third party insurance. The new policy shifted from a "coordination of benefits" methodology (the standard for TFL, FEHBP and other quality health insurance programs in the private sector) to a "benefits-less-benefits" approach, which unfairly transferred significant costs to service members, their families, and survivors.

Although providers may charge any amount for a particular service, TRICARE only recognizes amounts up to 115 percent of the TRICARE "allowable charge" for a given procedure. Under DOD's pre–1995 policy, any third party insurer would pay first, and then TRICARE (formerly CHAMPUS) would pay any remaining balance up to what it would have paid as first payer if there were no other insurance (75 percent of the allowable charge for retirees; 80 percent for active duty dependents).

Under its post-1995 policy, TRICARE will not pay any reimbursement at all if the beneficiary's other health insurance (OHI) pays an amount equal to or higher than the 115 percent billing limit. (Example: a physician bills $500 for a procedure with a TRICARE-allowable charge of $300, and the OHI pays $400. Previously, TRICARE would have paid the additional $100 because that is less than the $300 TRICARE would have paid if there were no other insurance. Under DOD's new rules, TRICARE pays nothing, since the other insurance paid more than 115 percent of the TRICARE-allowable charge.) In many cases, the beneficiary is stuck with the additional $100 in out-of-pocket costs.

DOD and Congress acknowledged the appropriateness of the "coordination of benefits" approach in implementing TFL and for calculating OHI pharmacy benefits. TFL pays whatever charges are left after Medicare pays, up to what TRICARE would have paid as first payer, just as they reimburse cost shares for OHI pharmacy claims. The Coalition believes this should apply when TRICARE is second-payer to any other insurance, not just when it is second-payer to Medicare or with pharmacy claims.

Current policy is contrary to best business practices in the private sector. When a beneficiary has two insurance plans, the secondary pays the beneficiary liability as long as the services are allowed under the rules of the secondary plan.

DOD's shift in policy unfairly penalizes beneficiaries with other health insurance plans by making them pay out of pocket for what TRICARE previously covered. In other words, beneficiaries who are entitled to TRICARE benefits, but are saving the government a substantial amount of money by using their OHI, may forfeit their entire TRICARE benefit because of private sector employment or by virtue of having private health insurance. In practice, despite statutory intent, these individuals have no TRICARE benefit.

The October 2003 General Accounting Office (GAO) Report, TRICARE Claims Processing Has Improved, but Inefficiencies Remain, states ". . . when beneficiaries have other health insurance is the claims processing area that causes the most confusion for providers and beneficiaries." Providers and beneficiaries frequently misunderstand OHI claims adjudication. The confusion often arises because the OHI payment is equal to or greater than the TMAC, so there is no TRICARE payment. The result is increased customer service demand as contractors must answer complex inquires from both providers and beneficiaries.

In addition to increasing demand for customer service, the GAO states that the procedures for calculating OHI result in inefficiencies as well. Not only are these rules unfair, they are also just about impossible to understand or explain to beneficiaries and their providers.

TMC strongly recommends that the subcommittee direct DOD to eliminate the 115 percent billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

Nonavailability Statements under TRICARE Standard

The Coalition is grateful to the subcommittee for the provision in the NDAA for Fiscal Year 2002 that has substantially eliminated the requirement for non-enrolled TRICARE beneficiaries to obtain a nonavailability statement (NAS) or preauthorization from an MTF before receiving certain services from a civilian provider. However, except for maternity care, the law allows DOD broad waiver authority that could diminish the practical effects of the intended relief from NAS. NAS's can be required if:

- The Secretary demonstrates that significant costs would be avoided by performing specific procedures at MTFs;
- The Secretary determines that a specific procedure must be provided at the affected MTF to ensure the proficiency levels of the practitioners at the facility; or
- The lack of an NAS would significantly interfere with TRICARE contract administration.

In addition, the DOD must provide notification to affected beneficiaries of any future intent to require an NAS under this authority, and must provide at least 60 days' notice to the Armed Services Committees of any such intent, along with the reasons and intended implementation date.

The Coalition is pleased that, at present, there is no requirement for NAS other than for inpatient mental health services in the TRICARE program.

The Coalition has urged DOD, in the event any future NAS requirement is contemplated, to go beyond a mere Federal Register notification and make a good-faith effort to contact beneficiaries likely to be affected. The Coalition has urged the department to develop a formal program to inform standard providers and beneficiaries in any such event.

TMC requests the subcommittee's continued oversight to assure that, should the DOD choose to exercise its authority and reinstate NAS requirements, beneficiaries and their providers receive effective, advance notification.

TRICARE Next Generation of Contracts

Over the next several months, the long-awaited transition to the new contracts will be implemented. The Coalition agrees that this is a critically important step, both for the Department and for beneficiaries. We acknowledge the complexity of this process and remain firmly committed to working with Congress, the Department, and the HSSCs to make implementation as effective as possible. Above all, we intend to be vigilant that the current level of service is not compromised. The Coalition applauds the new contracts' increased focus on performance, customer satisfaction and quality care.

As these contracts are implemented, a seamless transition and accountability for progress are the Coalition's primary concerns. The Coalition is sensitive that massive system changes are being implemented at a time of great stress for uniformed services beneficiaries, especially active duty members and their families. Transitions to new contractors, even when the contract design has not dramatically changed, have historically been tumultuous for all stakeholders, especially beneficiaries. The

Coalition believes systems must be put in place that will make the transition to the new contracts as seamless as possible for the beneficiary.

One concern with awarding different contract functions to a variety of vendors is that beneficiaries should not be caught in the middle as they attempt to negotiate their way between the boundaries of the various vendors' responsibilities. DOD must find ways to ensure beneficiaries have a single source of help to resolve problems involving the interface of multiple contractors.

The Coalition will be closely monitoring our member feedback concerning customer service. Specifically, we are concerned that the outgoing HSSCs avoid any fall-off of service as their contracts wind down and that the handoff between the old and new contractors goes smoothly.

Another important area of concern is provider churn. Contracts were re-awarded in four regions, therefore those beneficiaries should experience minimal turnover. But in the other seven regions, beneficiaries may have to find new physicians willing to contract with the new HSSC. The Coalition hopes that beneficiaries who are currently receiving care will be able to continue with their current provider through their course of treatment.

Despite all the changes, the Coalition is hopeful that TRICARE beneficiaries will benefit from the new contract structure. By streamlining administrative requirements and being less prescriptive, we hope DOD will be able to improve service delivery and enhance access. The Coalition intends to be closely involved in the transition and implementation process.

TMC recommends that the subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.

There are three areas of concern the Coalition has identified in the past that we hope will be addressed by the new contracts: Portability/Reciprocity, Prior Authorization, and HCIL. We would like to briefly state our concerns and ask the subcommittee's due diligence to provide continued oversight of these issues.

Prior Authorization under TNEX

While the TNEX request for proposals purportedly removed the requirement for preauthorization for Prime beneficiaries referred to specialty care, the TRICARE Policy Manual 6010.54–M, August 1, 2002, chapter 1, section 7.1, and I., G belies that, stating:

> "Each TRICARE Regional Managed Care Support (MCS) contractor may require additional care authorizations not identified in this section. Such authorization requirements may differ between regions. Beneficiaries and providers are responsible for contacting their contractor's Health Care Finder for a listing of additional regional authorization requirements."

The Coalition believes strongly that this regulation undermines the longstanding effort of this subcommittee to simplify the system and remove burdens from providers and beneficiaries. It is contrary to current private sector business practices, the commitment to decrease provider administrative burdens, and the provision of a uniform benefit.

Since each contractor has been given great leeway in this area, it is too soon in the implementation process for the Coalition to assess the impact upon beneficiaries of the new prior authorization requirements in each of the three regions. We will Reserve judgement at this time but will monitor the implementation of these requirements from the beneficiary's perspective.

TMC urges the subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization and asks the subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.

Portability and Reciprocity

Section 735 of the NDAA for Fiscal Year 2001 required the DOD to develop a plan, due March 15, 2001, for improved portability and reciprocity of benefits for all enrollees under the TRICARE program throughout all regions. The DOD has since issued a memorandum stating that DOD policy requires full portability and reciprocity. Despite the efforts of this subcommittee, in the current system with 12 regions, enrollees routinely experience enrollment disruption when they move between regions and are still not able to receive services from another TRICARE Region without multiple phone calls and much aggravation.

The Coalition is eager to see if reducing the number of contracts from 12 to 3 will address this problem.

The lack of reciprocity presents particular difficulties for TRICARE beneficiaries living in "border" areas where two TRICARE regions intersect. In some of the more rural areas, the closest provider may actually be located in another TRICARE re-

gion, and yet due to the lack of reciprocity, beneficiaries cannot use these providers without great difficulty. The problem also arises when a member has a child attending college in a different TRICARE region.

Our Government requires nationwide mobility of military families, and it is essential to ensure they are provided seamless continuity of health coverage. The Coalition believes 3 years is more than long enough to have waited for this basic quality of life problem to be fixed.

TMC urges the subcommittee to monitor the new contracts to determine if the new system facilitates portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

Health Care Information Lines

The Coalition is concerned that the TNEX request for proposals did not contain any requirement for HCIL, leaving each of the three military services to piecemeal these support services to beneficiaries in their service areas. The Coalition believes this is a grave mistake, works against the interests of the beneficiaries, and interferes with cost-effective management of the TRICARE program.

Over 100 million civilian health plan beneficiaries nationwide have access to telephonic nurse advice services. HCIL services offered under existing TRICARE contracts played a critical role in the health care process for military beneficiaries. This information service is even more valuable when combined with a triage service that not only suggests a proper plan for care (self care at home, acute care, routine appointment with provider, or emergency room visit), but also schedules an appointment if necessary.

The Coalition has seen data indicating military members and their spouses use HCIL services at twice the rate of the civilian population. No matter where the individual or family is stationed, a HCIL program can provide a convenient and cost-effective point of access to safe, trustworthy decision support and health information.

HCILs can provide peace of mind to spouses who may have to make decisions without the support of their partner. These informed decisions help optimize effective use of MTF and purchased health care resources, while improving clinical and financial outcomes.

HCIL services provide access to nurses 24 hours a day, 7 days a week, including times when good care is not always easily accessible. In many cases, children and adults who otherwise may not have received timely care have been assessed and directed to what turned out to be life-saving care.

The Coalition believes that nurse triage programs are a win-win proposition as they have the potential to help control costs by directing patients to the appropriate level of care, while improving access to care and MTF appointments for those who need them.

The Coalition fears that the omission of HCIL guidance from TNEX will result, at best, in a patchwork of HCIL programs implemented locally at the MTF level—to the extent commanders even choose to do so. The Coalition firmly believes that the popularity of the current regional HCIL services and the single HCIL contract for all outside the continental United States locations indicates the need for continued availability of a consistent level of HCIL services for all beneficiaries.

TMC urges the subcommittee to direct DOD to modify the TNEX contract to make HCIL access universal for all beneficiaries and to develop a plan to provide for uniform administration of HCIL services nationwide.

Uniform Formulary Implementation

The Coalition is committed to work with the DOD and Congress to develop and maintain a comprehensive uniform pharmacy benefit for all beneficiaries mandated by section 701 of the NDAA for Fiscal Year 2000. We will particularly monitor the activities of the Pharmacy and Therapeutics (P&T) Committee. The Coalition expects DOD to establish a robust formulary with a broad variety of medications in each therapeutic class that fairly and fully captures the entire spectrum of pharmaceutical needs of the millions of uniformed services beneficiaries.

The Coalition is grateful to this subcommittee for the role it played in mandating a Beneficiary Advisory Panel (BAP) to comment on the formulary. Several TMC representatives are members of the BAP and are eager to provide input to the program. While we are aware that there will be limitations to access for some medications, our efforts will be directed to ensuring that the formulary is as broad as possible, that prior authorization requirements for obtaining non-formulary drugs and procedures for appealing decisions are communicated clearly to beneficiaries; and that the guidelines are administered equitably.

The Coalition is particularly concerned that procedures for documenting and approving "medical necessity" determinations by a patient's physician must be streamlined, without posing unnecessary administrative hassles for providers, patients, and pharmacists. The Coalition believes the proposed copayment increase from $9 to $22 for non-formulary drugs is very steep and could present an undue financial burden upon beneficiaries if there is a restrictive formulary bias. Beneficiaries' trust will be violated if the formulary is excessively limited, fees rise excessively, and/or the administrative requirements to document medical necessity are onerous.

DOD must do a better job of informing beneficiaries about the scope of the benefit—to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, and processes for determining medical necessity. The Coalition is pleased to note that the department has improved its beneficiary education via the TRICARE website. However, we remain concerned that many beneficiaries do not have access to the Internet, and this information is not available through any other written source. As the DOD approaches the uniform formulary implementation, it will be critical to make this information readily available to beneficiaries and providers.

TMC urges the subcommittee to ensure a robust uniform formulary is developed, with reasonable medical-necessity rules and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

TRICARE Benefits for Remarried Widows

The Coalition believes there is a gross inequity in TRICARE's treatment of remarried surviving spouses whose subsequent marriage ends because of death or divorce. These survivors are entitled to have their military identification cards reinstated, as well as restoration of commissary and exchange privileges. In addition, they have any applicable SBP annuity reinstated if such payment was terminated upon their remarriage. In short, all of their military benefits are restored—except health care coverage.

This disparity in the treatment of military widows was further highlighted by enactment of the Veterans Benefits Act of 2002. This legislation (38 U.S.C. 103(g)(1)) reinstated certain benefits for survivors of veterans who died of service-connected causes. Previously, these survivors lost their VA annuities and VA health care (CHAMPVA) when they remarried, but the Veterans Benefits Act of 2002 restored the annuity—and CHAMPVA eligibility—if the remarriage ends in death or divorce.

Military survivors merit the same consideration Congress has extended and the VA has implemented for CHAMPVA survivors.

TMC urges the subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.

TRICARE Prime Continuity in BRAC areas

In addition to our concerns about current benefits, the Coalition is apprehensive about continuity of future benefits as Congress and the DOD begin to consider another round of base closures.

Many beneficiaries deliberately retire in localities close military bases, specifically to have access to military health care and other facilities. Base closures run significant risks of disrupting TRICARE Prime contracts that retirees depend on to meet their health care needs.

Under current TRICARE contracts and under DOD's interpretation of TNEX, TRICARE contractors are supposed to continue maintaining TRICARE Prime provider networks in BRAC areas. However, these contracts can be renegotiated, and the contracting parties may not always agree on the desirability of maintaining this provision.

The Coalition believes continuity of the TRICARE Prime program in base closure areas is important to keeping health care commitments to retirees, their families and survivors, and would prefer to see the current contract provision codified in law.

TMC urges the subcommittee to amend title 10 to require continuation of TRICARE Prime network coverage for uniformed services beneficiaries residing in BRAC areas.

TRICARE Retiree Dental Plan

The Coalition is grateful for the subcommittee's leadership role in authorizing the TRDP. While the program is clearly successful, participation could be greatly enhanced with two adjustments.

Unlike the TRICARE Active Duty Dental Plan, which enjoys a substantial Federal subsidy to keep premiums low, there is no government subsidy for retiree dental

premiums. This is a significant dissatisfier for retired beneficiaries, as the program is fairly expensive with relatively limited coverage. The Coalition believes dental care is integral to a beneficiary's overall health status. Dental disease left untreated can lead to more serious health consequences and should not be excluded from a comprehensive medical care program. As we move toward making the health care benefit uniform, this important feature should be made more consistent across all categories of beneficiaries.

The Coalition understands that consideration is being given to establishing a subsidized dental benefit covering active and retired Federal civilians as an adjunct to the FEHBP. If so, similar consideration should be provided for retired military beneficiaries.

Another shortcoming of the TRDP is that it is not available overseas, but, according to the TRDP website: "You can receive covered treatment anywhere in the 50 United States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands and Canada."

TMC urges the subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside outside the United States.

Pre-Tax Premium Conversion Option

To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance, such as TRICARE supplements, the active duty dental plan or TRDP, long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 presidential directive allowing Federal civilian employees to pay premiums for their FEHBP coverage with pre-tax dollars.

The Coalition supports H.R. 2131, which would amend the tax law to allow Federal civilian retirees and active duty and retired military members pay health and dental insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the subcommittee will lend its support to this legislation and help ensure equal treatment for all military and Federal beneficiaries.

TMC urges the subcommittee to support H.R. 1231 to provide active duty and uniformed services beneficiaries a tax exclusion for premiums paid for TRICARE Prime enrollment fees, TRICARE dental coverage and health supplements, and FEHBP.

Extended Care Health Option

Once again, the Coalition thanks the subcommittee for its continued diligence in support of those beneficiaries who fall under the category of "Custodial Care." We are most appreciative of the generous enhancements this subcommittee has endorsed in section 701 of the NDAA for Fiscal Year 2002 (Public Law 107–107) providing additional benefits for eligible active duty dependents by amending the Program for Persons with Disabilities, now termed ECHO. Once implemented, ECHO will provide extended benefits not available through the basic program to assist in the reduction of the disabling effects of a qualifying condition. Implementation is scheduled as the new contracts roll out this year.

While the ECHO program will provide a tremendous benefit to active duty families, offering enhanced services and respite care, the Coalition is concerned about families transitioning to retirement status when benefits will terminate. The Coalition expects DOD, through both the Exceptional Family Member Program and the military health system, to provide clear education and guidance to families regarding the termination of ECHO benefits at retirement.

Further, the Coalition expects that adequate and timely transition assistance to community-based support services be provided these families. The Coalition will be monitoring this transition process to determine whether legislation is needed to provide a benefit "bridge" for disabled family members of retiring service members as until needed services can be secured in the local community.

TMC recommends the subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the ECHO program upon all beneficiary classes, and that beneficiary groups' input be sought in the evaluation of the program.

CONCLUSION

TMC reiterates its profound gratitude for the extraordinary progress this subcommittee has made in securing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the subcommittee in pursuit of these goals outline in our testimony.

Thank you very much for the opportunity to present the Coalition's views on these critically important topics.

Senator CHAMBLISS. Before we get to you, Parke Holleman, we have a vote that's just been called and we're going to need to go. Senator Pryor, we have about 10 minutes left in that, so I think we'll run and vote and we'll come right back and we'll continue with Ms. Holleman.

Ms. HOLLEMAN. Thank you. [Recess.]

Senator CHAMBLISS. All right. We'll come back to order, and Ms. Parke Holleman, we look forward to hearing your comments. Thank you for being patient.

STATEMENT OF DEIRDRE PARKE HOLLEMAN, LEGISLATIVE DIRECTOR, THE RETIRED ENLISTED ASSOCIATION

Ms. HOLLEMAN. Thank you for coming back. It is an honor for me to testify before you concerning the Uniformed Services SBP. My presentation is going to be a good deal simpler than the ones that have preceded me.

I'm in an especially comfortable position because the National Military and Veterans Alliance, TMC, the American Legion, and my individual organization all agree on the issue I am speaking about. SBP is presently a critical program for over a quarter of a million people and will be the financial lifeline for many more in the near future. This essential program has many serious flaws that all the Veterans Service Organizations (VSO), the military organizations, hope you will be able to repair this year.

When thinking about SBP, we must remember that in the last year we have suffered over 500 deaths and numerous injuries in Iraq. The country has promised our service members that we will care for their loved ones if they are lost. A sufficient survivor plan is a promise we have made to our active duty as well as to our retirees.

As I am sure you are well aware, when a survivor of a military retiree reaches 62 years of age, his or her monthly SBP payments can be anywhere from 55 to 35 percent of the base amount. Unfortunately, the vast majority of retirees had no idea that this reduction occurred when they took up the plan. This drop is difficult for all survivors to cope with, but it is truly devastating for survivors of retired enlisted personnel. Now, instead of a typical $471 to $500 payment every month, not a king's ransom even at that time, they lose approximately a third of their monthly income. $150 to $175 a month is the difference between managing or continual worry.

When the SBP program was established in 1972, Congress intended that the retired members' premiums would cover 60 percent of the program's cost, while the Government would pay the remaining 40 percent. Because of cautious actuarial assumptions, the Government presently contributes approximately 19 percent of the cost of SBP. While it was intended to be comparable to the Federal Civilian Retiree Survivor Plans, it has fallen far behind them.

We thought that we would be able to correct this flaw last year with S.451, which ended the reduction in 5 yearly steps. But we were told that it would be far too expensive, so we have come back again as S.1916. It is a much less expensive bill because it would end the reduction in 10 yearly steps. The Federal Government can certainly afford to correct and improve this program even in this tight budgetary year.

If a military member's survivor is qualified to receive VA Dependency and Indemnity Compensation (DIC), from the VA, he or she will suffer a dollar-for-dollar offset of the SBP payment. For the normal retiree, this means if he or she died of a service-connected condition after paying into the SBP program for years while being disabled, the survivor will either get a small SBP payment or none at all. If the DIC present amount of $967 a month wipes out the SBP payment completely, then the survivor receives a taxable lump-sum return of their paid premiums, but none of the benefits they paid for and planned for.

A member of the Armed Services Committee, Senator Nelson of Florida, has tried for years to end this unfair practice. We hope that the members of this subcommittee will support the Senator's bill, S.585. Additionally, Congress has recently provided active duty SBP for survivors of members who die while on active duty. The offset applies to these widows and widowers as well. Clearly, Congress intended to provide an additional benefit when they passed active duty SBP. Unless this offset is ended, this new benefit is hollow.

Third, SBP presently has a paid-out provision that allows a retiree to stop contributing 6½ percent of his or her base amount if he or she has paid into the program for at least 30 years and has reached the age of 70. But this provision does not go into effect until October 1, 2008. Therefore, there are more and more retirees who have met both criteria but who still are paying into the program. Almost none of their spouses, if they survive the member, will ever be paid the 55 percent of the base amount.

Moving the paid-out provisions to the next fiscal year would allow these couples who are now in their 70s to live more comfortably together. It would cost very little nationally, but it would enormously improve the situation of people who served our country for years.

It is the policy of the United States to encourage our citizens to make plans for retirement and for their loved ones. It is even more important to encourage this behavior when the people we are speaking about have served the U.S. Government for decades with great risk and difficulty. The SBP program is intended to do just that.

With the adoption of these proposals, SBP will be a far fairer program than it is today. Additionally, the improvements would encourage growing participation in the future.

Again, thank you very much for this opportunity. If you do have any questions at this late time, I would be most pleased to answer them, and I introduce Mr. Duggan, who will be talking about the American Legion.

[The prepared statement of Ms. Holleman follows:]

PREPARED STATEMENT BY DEIRDRE PARKE HOLLEMAN, ESQ.

INTRODUCTION

Mr. Chairman, distinguished members of the committee, The National Military and Veterans Alliance (NMVA) wishes to thank you for the honor of testifying before your subcommittee concerning crucial improvements that are needed to support military retirees and their survivors.

The alliance was founded in 1996 as an umbrella organization to encourage all military and veteran associations to work together towards their common goals. The alliance members are:

- American Logistics Association
- American Military Retirees Association
- American Military Society
- American Retirees Association
- American World War II Orphans Network
- AMVETS
- Association of Old Crows
- Catholic War Veterans
- Class Act Group
- Gold Star Wives of America
- Korean War Veterans
- Legion of Valor
- Military Order of the Purple Heart
- Military Order of the World Wars
- National Association for Uniformed Services
- National Gulf War Resource Center
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Paralyzed Veterans of America
- Reserve Enlisted Association
- Reserve Officers Association
- Society of Military Widows
- The Retired Enlisted Association
- TREA Senior Citizens League
- Tragedy Assistance Program for Survivors
- Uniformed Services Disabled Retirees
- Veterans of Foreign Wars
- Vietnam Veterans of America
- Women in Search of Equity

The preceding organizations represent almost 5 million members and collectively, represent some 80 million Americans, those who serve or have served their country and their families.

The overall goal of the NMVA is a strong national defense. In light of this overall objective, we would request that the committee examine the following proposals.

Needed Improvements in the Survivor Benefit Plan (SBP)

All the VSOs and Military Organizations participating in the NMVA and The Military Coalition (TMC), the American Legion, as well as numerous other veterans service organizations (VSO) and military organizations have been on the Hill this year asking Congress to correct the several severe shortcomings in the present SBP. Today we are asking you to take up this issue.

The Drop from 55 percent to 35 percent

When a SBP beneficiary reaches the age of 62 his or her benefit drops from 55 percent to 35 percent of the member's retired pay. This occurs at the time when more and more people are on fixed incomes and when their health care needs and costs are growing. It is a crippling surprise. Although it is clear that this reduction has always been in the statute it is also clear that the vast majority of retirees signing up for this program had no idea that this reduction occurred. It was never highlighted in the explanatory materials from the commencement of the program in 1972 onward.

To get full a SBP annuity a retired member of the Uniformed Services has to contribute 6½ percent of their base amount of retired pay. This is a serious contribution. It is a truly responsible step in the process of estate planning. It is especially foresighted when you consider that the member is making this selection at the time of retirement. It is the type of planning that the Federal Government wishes to encourage. But it still has a real negative affect on the retiree and his spouses' shared

retirement. It is a particularly expensive benefit when you consider that since, happily, retirees are living to old ages most SBP widows or widowers never receive a 55 percent payment since they are already 62 when they lose their spouse. For enlisted retirees this reduction in benefits is especially devastating. The loss of between $100 and $200 a month can mean the difference of a comfortable old age or one that is dominated with worry.

When the SBP program was instituted Congress intended the Federal Government to pay 40 percent of the costs (a subsidy equivalent to the civilian SBP) and the member was to pay the remaining 60 percent. Thanks to conservative assumptions and the long paying lives of the retirees that Government contribution is now less than 19 percent of the costs of the SBP program. With the unforeseen savings the Federal civilian program is now substantially better than the corresponding military program. The Federal Employees Retirement System (FERS) program has a 33-percent Government subsidy while the Civil Service Retirement System (CSRS) has a 48-percent subsidy. Additionally, the FERS beneficiary receives 50 percent of the employee's retired pay throughout her life and the CSRS beneficiary receives 55 percent. There is no reduction when he or she reaches 62 or any other age. While the Federal retirees' pay 10 percent of their retired pay for their survivor program they pay it for a much shorter time. When analyzing these programs it needs to always be remembered that Uniformed Services retirees are required to retire at much younger ages than are civilian employees. There is no good policy reason for the United States to provide a lesser survivor benefit for its military retirees than its civilian ones. We do not believe that this is what was initially intended. We firmly believe this is not how the program should continue to operate.

The NMVA hopes that this will be the year that this problem is corrected.

The NMVA respectfully requests that the members of this committee support the ending of the post-62 years of age reduction of SBP annuities. Please support S. 1916.

SBP/VA Dependency Indemnity Compensation (DIC) Offset

There are additional improvements that should be made in the SBP program. If a retiree dies of a service connected condition his or her spouse will qualify for DIC from the Department of Veterans' Affairs (VA). If the retiree has paid into SBP there is a dollar-for-dollar offset. (The Widow's concurrent receipt). For the vast majority of widows DIC completely offsets the SBP payment. If the SBP payment has completely swallowed up DIC the survivor will receive the premiums paid all those years. But the SBP premiums are returned without interest, in a lump sum and subject to taxation wholly in the year the money was returned. Even so, many seriously disabled retirees pay into SBP because they cannot be sure they will die of their service-connected disability. This is most unfair. Congress just recently passed a law to allow survivors of service members who are killed on active duty to receive SBP even though they have, of course, never paid any premiums into the program. But since every active duty surviving spouse is entitled to DIC this would be a hollow benefit if the offset were allowed to continue. For the retiree who paid into the SBP it may have been a real financial difficulty to do so but he or she wanted to protect their spouses' future. In both cases help is needed.

The NMVA respectfully requests that the SBP/DIC offset be ended. Please support S. 585.

SBP Paid Up Provisions

The military SPB program was enacted in September 1972. Current law provides for a SBP premiums to be paid up after the retiree reaches age 70 and has paid premiums for 30 years. However, the effective dates of said paid up premiums is October 1, 2008. Those retirees who enrolled in SBP before September 21, 1978, will pay up to 6 years longer than those who enrolled in SBP after September 21, 1978. These enrollees have been a great boon to the SBP program. Since they have happily lived far longer than expected they have been paying far more into this program than their survivors will ever receive. There is no logical reason why they should be required to pay premiums for a significantly longer time than retirees who have enrolled in SBP since September 21, 1978. The paid up date should be moved forward to commence on October 1, 2004. This proposed change is a matter of simple fairness. It would immediately improve the lives of many of our older military retirees and their spouses.

The NMVA strongly recommends that the effective date for the paid up provisions of SBP be moved up to October 1, 2004.

CONCLUSION

At this time in our history we are once again asking our service members and their families to make huge sacrifices and take on enormous risks. Throughout the years we have been required to call on service members and their families again and again to take on these burdens. They have always willingly done so. They will do so again. Therefore, the rest of the country has the obligation to assure that after their service they will be treated with fairness and respect. The changes we have proposed in the SBP will make it fair and workable. It will succeed in accomplishing what the program has always intended to do: provide an adequate life for the survivors of those who have protected this Nation in the past and will do so in the future.

Senator CHAMBLISS. Thank you very much.

Mr. Duggan.

STATEMENT OF COL DENNIS M. DUGGAN, USA (RET.), DEPUTY DIRECTOR, NATIONAL SECURITY-FOREIGN RELATIONS DIVISION, THE AMERICAN LEGION

Colonel DUGGAN. Thank you, Mr. Chairman. Mr. Chairman, distinguished members of the subcommittee, the American Legion, the Nation's largest organization of wartime veterans, is grateful for this opportunity to present its views regarding personnel issues as part of the NDAA for Fiscal Year 2005.

The American Legion has always valued your leadership in assessing and authorizing quality of life, readiness, and modernization programs for the active, National Guard, Reserves, their families, and military retirees and their dependents. American Legion national commanders continue to visit our troops in Europe, the Balkans, and the Far East, as well as military posts and bases near our national convention cities. We also make regular visits over to visit the severely wounded at Walter Reed Army Medical Center.

The American Legion, as I mentioned, salutes our men and women in uniform and extends its family support network particularly to activated guardsmen and reservists and their families, as well as to severely disabled, wounded personnel and their families through our network of some 14,000 posts across the country.

The Defense budget at $402 billion, we believe, is a good one. It represents about 3.65 percent, as we understand, of the gross domestic product. A decade of overuse of our military and its previous underfunding and understrength requires sustained investments of this nature. Besides advocating efforts to fight the global war on terrorism and improving military and military retiree quality of life, we feel—and it may be not the subject of this particular hearing—that the Army end strengths also need to be increased. We feel that the Army needs another two divisions, or about 40,000 spaces, to not only accommodate the war on terrorism and peacekeeping and many commitments throughout.

The DOD still appears committed to activating our reservists and guardsmen, and in that regard, we strongly urge not only the implementation of the temporary TRICARE program, but we would be supportive of a permanent TRICARE health care program as well. We expect to see war going for some time, and we expect to see the number of activated reservists and guardsmen continue to grow.

Like you, we see this as a readiness issue as well based on a number of medically and dentally nondeployable troops that we have had, not only before deployment, but also post-deployment. It can also help in their treatment after deployment. But we fully support, of course, full concurrent receipt.

Finally, the American Legion firmly believes that the survivors benefits, as just previously mentioned, need to have that 20 percent offset restored for the Social Security-eligible military survivors.

Much has been done for the Reserve components. Much more needs to be done. The retirement age for guardsmen and reservists should be lowered also, we feel, from 60 to 55. The Reserve MGIB benefits also need to be substantially improved to be an effective recruiting tool which we believe Reserve and Guard Forces are going to need. It also is a rehabilitation education program to make up for the educational opportunity that they lost by fighting the war and during their activation.

Also, the soldier and family support systems like base exchanges and commissaries should not be merged or consolidated, and variable pricing should not even be tested. Besides the impact on the military consumers and the commissary system and its funding, I'm not really sure that doing that variable pricing really makes a lot of good business sense from what I've heard before.

Lower reimbursement rates are continuing to cause TRICARE providers to refuse any TRICARE patients or to reduce the numbers of outpatients. They'll be treating, thus limiting access and choice.

The American Legion has always believed that there is another highly egregious inequity that needs to be fixed for about 27,000 military survivors, and that is the standard operating procedure (SOP) DIC which we think is as egregious as the offset of military retired pay and disability compensation.

Again, Mr. Chairman, the American Legion thanks you for this opportunity to express its views, and these are all adopted positions adopted by national conventions by about 6,000 delegates every year and they represent the 2.8 million membership of the American Legion, fully one-tenth of all veterans in this country. Thank you.

[The prepared statement of Colonel Duggan follows:]

PREPARED STATEMENT BY COL DENNIS MICHAEL DUGGAN, USA (RET.)

Chairman Chambliss and distinguished members of the subcommittee: The American Legion is grateful for the opportunity to present its views regarding defense authorization for fiscal year 2005. The American Legion values your leadership in assessing and authorizing adequate funding for quality of life, readiness, and modernization of the Nation's Armed Forces to include the active, Reserve, and National Guard Forces and their families, as well as quality of life for military retirees and their dependents.

Since September 2001, the United States has been involved in two wars—the war against terrorism in Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF). American fighting men and women are proving that they are the best-trained, best-equipped, and best-led military in the world. As Secretary of Defense Donald Rumsfeld has noted, the war in Iraq is part of a long, dangerous global war on terrorism. The war on terrorism is being waged on two fronts: overseas against armed terrorists and the other here protecting and securing the homeland. Indeed, most of what we as Americans hold dear are made possible by the peace and stability which the Armed Forces provide.

The American Legion has always adhered to the principle that this Nation's Armed Forces must be well-manned and equipped, not just to pursue war, but to

preserve and protect peace. The American Legion strongly believes that past military downsizing was budget-driven rather than threat focused. Once Army divisions, Navy warships, and Air Force fighter wings are eliminated or retired from the force structure, they cannot be rapidly reconstituted regardless of the threat or emergency circumstances. Although active duty recruiting has achieved its goals, the Army's stop-loss policies have obscured retention of the active and Reserve components. Military morale undoubtedly has also been adversely affected by the extension of tours in Iraq.

The administration's budget request for fiscal year 2005 totals $2.4 trillion and authorizes $402 billion for defense, or about 19 percent of the budget. The fiscal year 2005 defense budget represents a 7-percent increase in defense spending over the current funding level. It also represents 3.6 percent of our gross domestic product, more than the 3.5 percent in the fiscal year 2004 budget. Active duty military manpower end strength is 1.388 million, only slightly changed from fiscal year 2003. Selected Reserve strength is 863,300 or reduced by about 25 percent from its strength levels during the Gulf War of 13 years ago.

Mr. Chairman, this budget must advance ongoing efforts to fight the global war on terrorism, sustain and improve military quality of life, and continue to transform the military. A decade of overuse underfunding of the military will necessitate sustained investments. The American Legion believes that this budget must also address increases in the military end strengths of the Services; accelerate ship production; provide increased funding for the concurrent receipt of military retirement pay and Department of Veterans' Affairs (VA) disability compensation for disabled military retirees; and improved Survivor Benefit Plans (SBP) for the retired military survivors.

If we are to win the war on terror and prepare for the wars of tomorrow, we must take care of the Department's greatest assets—the men and women in uniform. They are doing us proud in Iraq, Afghanistan, and around the world.

In order to attract and retain the necessary force over the long haul, the Active-Duty Force, Reserves, and National Guard continue to look for talent in an open market place and to compete with the private sector for the best young people this Nation has to offer. If we are to attract them to military service in the active and Reserve components, we need to count on their patriotism and willingness to sacrifice, to be sure, but we must also provide them the proper incentives. They love their country, but they also love their families—and many have children to support, raise, and educate. We have always asked the men and women in uniform to voluntarily risk their lives to defend us; we should not ask them to forgo adequate pay and allowances and subject their families to repeated unaccompanied deployments and substandard housing as well.

With the eventual lifting of the stop-loss policy, there may be a personnel exodus of active duty and Reserve components from the Army. Retention and recruiting budgets may need to be substantially increased if we are to keep, and recruit, quality service members.

The President's 2005 defense budget requests $104.8 billion for military pay and allowances, including a 3.5 percent across-the-board pay raise. It also includes $4.2 billion to improve military housing, putting the DOD on track to eliminate most substandard housing by 2007—several years sooner than previously planned. The fiscal year 2004 budget lowered out-of-pocket housing costs for those living off-base from 7.5 percent to 3.5 percent in 2004 so as to hopefully eliminate all out-of-pocket costs for the men and women in uniform by 2005. The American Legion encourages the subcommittee to continue the policy of no out-of-pocket housing costs in future years.

Together, these investments in people are critical, because smart weapons are worthless to us unless they are in the hands of smart, well-trained soldiers, sailors, airmen, marines, and Coast Guard personnel.

American Legion national commanders have visited American troops in Europe, the Balkans, South Korea, as well as a number of installations throughout the United States, including Walter Reed Army Medical Center and Bethesda National Navy Center. During these visits, they were able to see first hand the urgent, immediate need to address real quality of life challenges faced by service members and their families. Commanders have spoken with families on Womens' and Infants' Compensation (WIC), where quality of life issues for service members, coupled with combat tours and other heightened operational tempos, play a key role in recurring recruitment and retention efforts and should come as no surprise. The operational tempo and lengthy deployments, other than combat tours, must be reduced or curtailed. Military missions were on the rise before September 11, and deployment levels remain high and the only way, it appears, to reduce repetitive overseas tours and the overuse of the Reserves is to increase military end strengths for the serv-

ices. Military pay must be on par with the competitive civilian sector. Activated reservists must receive the same equipment, the same pay and timely health care as active duty personnel. If other benefits, like health care improvements, commissaries, adequate quarters, quality child care, and impact aid for education or Department of Defense (DOD) education are reduced, they will only serve to further undermine efforts to recruit and retain the brightest and best this Nation has to offer.

The budget deficit is about $374 billion, the largest in U.S. history, and it is heading higher perhaps to $500 billion. National defense spending must not be a casualty of deficit reductions.

INCREASING END STRENGTHS AND BALANCING THE ACTIVE/RESERVE FORCE STRUCTURE

The personnel system and force structure currently in use by the United States Armed Forces was created 30 years ago, in the aftermath of the Vietnam War. By the mid-1980s, the All-Volunteer Force (AVF) became the most professional, highly qualified military the United States had ever fielded. With 18 Army divisions and 2.1 million on active duty, we were geared for the Cold War and that preparedness carried over into the Persian Gulf War. Whenever reservists were called-up for the Persian Gulf War or peacekeeping, in the Balkans or Sinai, they were never kept on duty for more than 6 months. In fact, many reservists volunteered to go. This system began to break down after September 11, 2001, with an overstretched Army which only had ten divisions which included a mix of infantry, armor, cavalry, air assault, airborne, mechanized and composite capabilities. The Quadrennial Defense Review (QDR), released 1 month after the September 11 attacks, did not alter the mix of active duty and Reserve units. Nor did the plans for the invasion of Iraq. The DOD admitted that rebalancing the way Reserve Forces were used was to be a top priority. The DOD also said that it had seen no evidence to support calls to increase the size of the active Army from its current level of 480,000. The Reserves still account for 97 percent of the military's civil affairs units, 70 percent of its engineering units, 66 percent of its military police, and 50 percent of its combat forces. Moreover, the size of the active duty Army has shrunk to 34 percent of the total U.S. military and is currently proportionally smaller than at any time in its history. This split in the active and Reserve Forces have lead to four major problems, which has been exacerbated by the inability of the U.S. to get troop contributions from other nations.

First, the Army is severely overstretched and is actively engaged with hostile forces in two countries. It has nearly 370,000 soldiers deployed in 120 countries around the globe. Of its 33 combat brigades, 24 (or 73 percent) are engaged overseas. This leaves the United States potentially vulnerable in places like the Korean Peninsula, and it means that many combat units are sent on back-to-back deployments or have had their overseas tours extended unexpectedly.

Second, the failure to increase Active Forces and reorganize the military's personnel and force structures resulted in National Guard and Reserve units being mobilized without reasonable notice nor equipping. A Maryland National Guard military personnel battalion, for example, has been mobilized three times in the last 2 years.

The third problem created by these mobilizations is that many of the reservists have been called up without proper notice and kept on duty too long and happen to be police officers, firefighters, and paramedics in their civilian lives. When these personnel are called for military service and kept active for long periods, besides jeopardizing their employment, it can reduce the ability of their communities to deal with terrorism.

The fourth problem with the current system is that it has lead to a decline in the overall readiness of the Army. In fiscal year 2003, the Army had to cancel 49 of its scheduled 182 training exercises. The first four divisions returning from Iraq in the first 5 months of this year will not be combat-ready again for at least 6 months since their equipment has worn down, troops have worn down, and warfighting skills have atrophied while they were doing police work. Through its stop-loss measures, the Army has prevented 24,000 active duty troops and some 16,000 reservists from leaving its ranks. The Army Reserve missed its reenlistment goals for fiscal year 2003.

Former Assistant Secretary of Defense Lawrence Korb recommends three major steps to correct these imbalances: First, the balance of active and Reserves must take place even during a war. Forces needed for occupation duty, such as military police, civil affairs and engineers should be permanently transferred to active duty. Second, the size of the Army should be quickly increased by at least two more divisions or 40,000 spaces. Third, given the threat to the American homeland, DOD cannot allow homeland security personnel to join the National Guard and Reserves.

The American Legion supports these recommendations, in particular, by permanently increasing the end strength of the United States Army by two additional divisions or by at least 40,000 personnel. The Army simply does not have enough division-size units to adequately accommodate rotation of units in Iraq in a timely manner and without units becoming non-combat ready when they return home.

Apparently, the DOD has resisted making these changes because of the expenses they would incur. But given the size of the overall defense budget—$420 billion—the money could be found if Congress and the DOD reordered its priorities.

By 2007, the Army expects to have created a modern Army by moving to brigade-based organizations, rather than division-based ones. The Army's current 33 brigades will expand to as many as 48 brigade units of action, which will include five Stryker brigades. The National Guard would have the same common design as the Army. To accomplish these planned changes, the Army will temporarily add 30,000 spaces to help form the new organizations. However, The American Legion understands that about 7,000 service members of the 30,000 would be holdovers from the stop-loss policy. DOD also anticipates continuing to call guardsmen and reservists to active duty, which indicates a continuing unit and manpower shortage.

FORCE HEALTH PROTECTION (FHP)

As American military forces are once again engaged in combat overseas, the health and welfare of deployed troops is of utmost concern to the American Legion. The need for effective coordination between the VA and DOD in the force protection of U.S. forces is paramount. It has been 13 years since the first Gulf War, yet many of the hazards of the 1991 conflict are still present in the current war.

A pretreatment for the nerve agent soman, pyridostigmine bromide (PB), was approved by the Food and Drug Administration (FDA) just prior to the start of OIF. Although its effectiveness is questionable, and it has not been ruled out as a possible cause of multi-symptom illnesses reported by thousands of Gulf War veterans, this treatment turned out to be unnecessary; however, PB is available for use at commanders' discretion. The contentious anthrax vaccine is also being administered to deployed personnel and controversial depleted uranium munitions continue to play a large role in American combat operations.

Although chemical and biological weapons have not been used against American troops in Afghanistan and Iraq, the potential for such an attack in future operations and deployments still exists. The American Legion is concerned about the ability of American military forces to operate and survive in a nuclear, biological, or chemical (NBC) environment. During the 1991 Gulf War, the thousands of chemical detection alarms were later reported as "false alarms." The ability to properly detect the presence of NBC agents in the area of operation remains a grave concern.

Just prior to OIF, questions surfaced around the DOD's ability to properly identify, track, and locate defective chemical protective suits. In October 2002, the General Accounting Office (GAO) reported that in May 2000, DOD ordered storage depots and units to locate 778,924 defective suits produced by a single manufacturer. As of July 2002, military officials were unable to account for 250,000 defective suits. Responding to an American Legion inquiry, officials from the Deployment Health Support Directorate reported they "believed" the remaining defective suits had either been destroyed or used in training activities. The difficulty in locating the defective suits was a result of inventory records lacking contract and lot numbers. GAO also reported that the DOD could not determine whether its older suits would adequately protect military personnel because some of the systems' records do not contain data on suit expiration. Finally, GAO reported that the risk of shortages of protective clothing might increase dramatically from the time of its report (October 2002) through at least 2007.

Prior to the 1991 Gulf War deployment, troops were not systematically given comprehensive pre-deployment health examinations, nor were they properly briefed on the potential hazards, such as fallout from depleted uranium munitions, that they might encounter. Record keeping was poor. Numerous examples of lost or destroyed medical records of active duty and Reserve personnel were identified. Vaccines were not administered nor recorded in a consistent manner and records were often unclear or incomplete. Moreover, personnel were often not provided information concerning vaccinations or prescribed medications. Some medications were distributed with little or no documentation, including dosage instructions, information on possible side effects or instructions for service members to immediately report unexpected side effects to medical personnel.

Physical examinations (pre- and post-deployment) were not comprehensive and information regarding troop movements/locations and possible environmental hazard exposures was severely lacking. The lack of such baseline data and other informa-

tion is commonly recognized as a major limitation in the evaluation and understanding of potential causes of the unexplained multi-symptom illnesses, referred to collectively as Gulf War veterans' illnesses, still plaguing thousands of Gulf War veterans 13 years after the war. Although the government has conducted more than 230 research projects, at a cost of more than $240 million, lack of crucial deployment data has resulted in many unanswered questions. Unfortunately, many questions will probably never be answered.

The goal of DOD's FHP policies and programs is to promote and sustain the health of service members during their entire length of service. On the surface, the FHP concept and related policies appear to have addressed the major problems of the past. Unfortunately, reality may be a different story. In previous congressional testimony, officials from GAO reported that although the DOD placed the responsibility for implementing its FHP policies with a single authority, the Deputy Assistant Secretary of Defense for Force Health Protection and Readiness, each service branch is ultimately responsible for implementing DOD initiatives and policies to achieve FHP goals. GAO noted that this caused concerns about how the Services would uniformly collect and share core data on deployments and how the DOD will integrate information on the health status of service members. According to GAO, DOD officials also verified that its medical surveillance policies and efforts depend on the priority and resources dedicated to their implementation.

The American Legion would like to specifically identify an element of FHP that deals with DOD's ability to accurately record a service member's health prior to deployment and document or evaluate any changes in his or her health that occurred during deployment. This is exactly the information the VA needs to adequately care for and compensate service members for service-related disabilities once they leave active duty. Section 765 of Public Law 105–85 directed the DOD to take specific actions to improve medical tracking for personnel deployed overseas in contingency or combat operations, outlining a policy for pre- and post-deployment health evaluations and blood samples. The conduct of a thorough "examination" (pre- and post-deployment), including the drawing of blood samples, was specifically identified in the law.

The DOD initially created a brief health questionnaire for deploying and returning service members to fill out, contrary to the medical examinations as required by Public Law 105–85. The pre-deployment questionnaire, DD Form 2795, contained eight questions and the post-deployment questionnaire, DD Form 2796, contained six questions. The American Legion, in congressional testimony presented last year in the early days of OIF, asserted that a self-reported health assessment questionnaire is not of the same value as an examination conducted by a physician or other medical officer. Self-reported health assessment is not necessarily an accurate, or reliable gauge of an individual's health status prior to or following deployment.

In response to immense concern over the brevity and usefulness of the health questionnaire, the Under Secretary of Defense for Personnel and Readiness issued an "enhanced" post-deployment questionnaire (DD Form 2796) on April 22, 2003. The pre-deployment questionnaire was not changed. Upon review, The American Legion did not see any significant changes. Although the new version is more detailed than the previous one, it still does not fulfill the requirement of "thorough" medical examinations nor does it even require a medical officer to administer the questionnaire or counsel participating personnel. The Under Secretary's guidance to combatant commanders specifically states that, in addition to a physician, physician assistant, or nurse practitioner, an enlisted independent duty corpsman or independent duty medical technician are also authorized to administer the questionnaire. This means that an actual physician or other medical officer may not even be part of the post-deployment health assessment process in at least some, if not most, instances. This is unacceptable.

Although the DOD, as part of the "enhanced" post-deployment health assessment, now requires a blood sample be obtained from returning personnel no later than 30 days after arrival at their home station or demobilization site, the DOD still relies on blood samples taken for human immunodeficiency virus (HIV) tests to fulfill the pre-deployment blood drawing requirement of Public Law 105–85. According to DOD procedure, deploying military personnel must be tested and found negative for HIV no more than 12 months before deployment on contingency operations. Although a specimen of serum used for this testing is stored at the DOD Serum Repository, the pre-deployment sample could be up to a year old, or older, and would, therefore, not be an accurate gauge of health immediately prior to deployment. This is unacceptable and should be re-evaluated.

According to DOD policy, commanders are responsible for ensuring compliance with and implementation of FHP programs and policies. In the fall of 2003, GAO reported on the Army and Air Force's compliance with DOD's FHP and surveillance

requirements for personnel deploying in support of Operation Joint Guardian in Kosovo and OEF in Central Asia. GAO reviewed selected Army and Air Force bases, medical records of 1,071 service members (from a universe of 8,742) participating in these operations. GAO found noncompliance with FHP and surveillance policies for many active duty service members. This included required pre- and post-deployment health assessments, required immunizations and failure to maintain health-related documentation in a centralized location. Of the records reviewed, 38 to 98 percent were missing one or both of the pre- and post-deployment health assessments. The review also found that as many as 36 percent were missing two or more required immunizations. This is unacceptable and a disservice to these service members.

Additionally noted, many service members' medical/health records did not include health assessments found in the DOD's centralized database, nor did the DOD maintain a complete centralized database of service members' health assessments and immunizations. GAO concluded the noncompliance problems it uncovered were the result of the absence of an effective quality assurance program at the Office of the Assistant Secretary of Defense for Health Affairs or at the Army or Air Force and reported that the centralized deployment database was missing information needed to track military personnel's movement in the theater of operations. As of July 2003, the DOD's data center had begun receiving location-specific deployment information from the services and was in the process of reviewing its accuracy and completeness at the time GAO released its report. The American Legion is optimistic these corrections will be made, but believe timely verification is absolutely necessary.

As a result of its investigation, GAO recommended the DOD establish an effective quality assurance program to ensure the military branches comply with the FHP and surveillance policies for all service members. The DOD agreed with GAO's recommendation and informed The American Legion that it will create a Quality Assurance Directorate under its Deployment Health Support Directorate. Its focus will be on ensuring compliance with FHP policies on pre- and post-deployment health assessments, immunization records and blood drawing for HIV and post-deployment assessments. Annual reports will be submitted to the Assistant Secretary of Defense for Health Affairs.

The American Legion appreciates DOD's increased efforts to ensure its FHP policies and programs are fully and consistently implemented by each service; however, considering DOD's checkered history with respect to deployment health-related matters, The American Legion remains skeptical of its commitment. Continued noncompliance with required FHP policies will result in personnel deploying with health problems and or encountering delays and other problems in obtaining health care and VA benefits when service members return, not unlike problems experienced by the veterans of the first Gulf War. In order to avoid the problems of the past, DOD must make FHP a real priority and dedicate the resources necessary to ensure each service branch is in full compliance with all policies and directives.

Although military personnel participating in OIF and OEF have not been exposed to chemical munitions fallout like their counterparts in Operation Desert Storm, some of the experiences have been similar. Once again, U.S. military forces have used depleted uranium (DU) munitions. While exposure to DU fallout during Operation Desert Storm has not been definitively linked to Gulf War veterans' illnesses, it has not been definitively ruled out as a possible cause. The American Legion supports the DOD's DU awareness training program. Avoiding DU fallout on the battlefield may be impossible, but informing troops about potential health hazards and instructing them to avoid unnecessary risks, such as entering an enemy vehicle destroyed by DU munitions, can help minimize potential health risks. It is vital that the DOD conduct proper oversight to ensure that its DU education programs are being properly implemented by all of the military services.

The controversial anthrax vaccine continues to be an important part of the military's FHP program. The American Legion agrees with the DOD's position to adequately protect military personnel against the threat of biological weapons attack, such as anthrax or smallpox. However, serious concerns with past problems associated with BioPort, the sole manufacturer of the vaccine, and the way adverse reactions are tracked and followed up by the DOD, continue to worry The American Legion. Problems with BioPort's manufacturing facility caused a shortage of FDA-approved vaccine, resulting in a slowdown of DOD's Anthrax Vaccine Immunization Program (AVIP). It has been 2 years since BioPort reestablished FDA approval. There continues to be a vaccine shortage resulting in only those service members on the ground in Southwest Asia for 15 days or more being vaccinated. The American Legion has long advocated a second manufacturer of the vaccine, as well as a

newer vaccine, proven for efficacy and safety, and an inoculation period shorter that the current six shots.

The anthrax vaccine controversy has existed since the first Gulf War. Based on the DOD's experience in tracking anthrax vaccinations, The American Legion is concerned. The DOD claims only 150,000 troops actually received the anthrax vaccine. Because of extremely poor record keeping, it can only verify vaccinations for less than 10,000. A similar controversy is emerging regarding the use of the anti-malaria drug Lariam. Several recent stories were published in the media about military personnel experiencing severe side effects, including depression and other psychological symptoms, after being prescribed Lariam. While the military is obligated to follow strict protocol when administering Lariam, including counseling and documenting the drug in the service member's health record, service members have complained that such procedures have not been followed.

Lariam is only one of several anti-malarial drugs currently being used by the military; it is vital that its distribution is thoroughly documented to properly address and track side effects that may occur. If a service member suffers a chronic disability as a result of taking Lariam, but there is no documentation in the health record, proving service-connection becomes more difficult. This is especially true if the disability does not manifest, or was not identified, while the member was on active duty.

Due to the duration and extent of sustained combat in OIF and OEF, the psychological impact on deployed personnel is of utmost concern to The American Legion. The military has counseling available for those having difficulty coping with the aftermath of combat and other traumatic events. The DOD needs to actively encourage troops to take advantage of such services. Counseling programs are useless unless service members feel that they can use them without adverse consequences to themselves and their careers. It is crucial for commanders to publicly inform their troops that treatment and counseling for stress and psychological problems are okay and no adverse action will be taken against any individual seeking that care. Post Traumatic Stress Disorder (PTSD) often manifests months or years after an individual has been removed from a traumatic event. There should be periodic follow up psychiatric evaluations for the active duty military and reservists upon return. The military should encourage treatment and counseling for those returning home. This is especially important for Reserve and National Guard personnel who are often quickly demobilized after returning from a deployment and do not have the same support system that is available to their active duty counterparts.

Military service is inherently dangerous and certain risks are to be expected. The American Legion believes the Federal Government is obligated to provide health care and compensation to those who sustain chronic disabilities as a result of such service. Title 38, United States Code (USC), places the burden of proof in establishing a service-connected disability on the veteran and establishing service connection directly impacts the veteran's ability to access VA health care. The VA's ability to adequately care for and compensate our Nation's veterans depends directly on the DOD's efforts to maintain proper health records/health surveillance, documentation of troop locations, environmental hazard exposure data, and the timely sharing of this information with the VA.

The American Legion remains appalled at the numbers of guardsmen and reservists who were called to active duty and not deployable due to existing medical and dental conditions. Unquestionably, many guardsmen and reservists are included in that group of 40 million or more Americans who have no, or limited, medical coverage. Certainly, the fault lies not only with Reserve component commanders, but also active duty commanders for knowingly calling medically unready and non-deployable reservists to active duty status.

For these reasons, The American Legion is strongly supportive of the Guard and Reserve Readiness and Retention Act of 2004, which would make all Guard and Reserve members and their families eligible for health coverage through TRICARE regardless of their mobilization status. Beneficiaries would pay a modest annual premium. This change would, we believe, improve individual and unit readiness and eliminate the need for reservists and their families to change health care providers when mobilized. There should be a seamless transition from Reserve status to active status and a seamless transition from DOD to VA. Also, during periods of mobilization, reservists who opt to maintain private health care coverage, rather than TRICARE, would receive assistance in paying their health insurance premiums. This health care legislation would help with medical readiness for mobilization and pre-deployment, but it could also provide their post-deployment and post-deactivation health and dental care.

The American Legion strongly urges Congress to mandate separation physical exams for all service members, particularly those that have served in combat zones

or have had sustained deployments. The American Legion believes this is essential because of oftentimes-inadequate medical record keeping and to ease accessing VA health care and applying for disability compensation and other veterans programs. The DOD reports that only about 20 percent of discharging service members opt to have separation physical exams. Clearly, The American Legion believes separation physicals should not be optional. The American Legion understands many of the reasons to opt out of a separation physical, but there is ample evidence to prove the importance these physicals or lack thereof plays in the VA claims process. Knowing the final health status of separating service members is also in the best interest of public health. During this war on terrorism and frequent deployments, with all their strains and stresses, this figure, we believe, should be substantially increased.

The American Legion strongly recommends that field hearings be conducted throughout the country to hear first hand accounts from those who served, including active, guard, Reserve and family members to determine how FHP is working. Further, these hearings should not be held near large military installations.

QUALITY OF LIFE

Our major national security concern continues to be the enhancement of the quality of life issues for active duty service members, reservists, guardsmen, military retirees, and their families. During the last congressional session, President Bush and Congress made marked improvements in an array of quality-of-life issues for military personnel and their military families. These efforts are visual enhancements that must be sustained for active duty personnel, guardsmen, and reservists.

In previous defense budgets, the President and Congress addressed improvements to the TRICARE system to meet the health care needs of military beneficiaries; enhanced Montgomery GI Bill (MGIB) educational benefits; and elimination of the disabled veterans' tax for severely disabled military retirees. For these actions, The American Legion applauds your strong leadership, dedication, and commitment. However, major issues still remain unresolved: the issue of concurrent receipt of full military retirement pay and VA disability compensation without the current dollar-for-dollar offset for all disabled retirees needs to be resolved as well as the need to improve survivors' benefits by eliminating the 20 percent offset at age 62.

The American Legion will continue to convey that simple, equitable justice is one reason to authorize and fund concurrent receipt. Military retirees are the only Federal employees who continue to have their retired pay offset with VA disability compensation. Also, proponents claim that the unique nature of military service, given their sacrifices and hardships, should merit these retirees receiving both military retired pay and VA disability compensation. For the past decade, many veterans' programs have been pared to the bone in the name of balancing the budget. Now, military retirees must pay premiums to TRICARE for full health care coverage for themselves and their immediate family members. The American Legion feels it is time that retirees receive compensation for these fiscal sacrifices. Likewise, military survivors have their survivors' benefits reduced from 55 percent to 35 percent when they become social security eligible.

Often, VA service-connected disability compensation is awarded for disabilities that cannot be equated with disabilities incurred in civilian life. Military service rendered in defense, and on behalf, of the Nation, deserves special consideration when determining policy toward such matters as benefits offsets. The American Legion believes it is a moral and ethical responsibility to award disability compensation to the needs of disabled veterans, given the sacrifices and hardships they incurred during honorable military service to the Nation. We are also aware that many of the disabled retirees receive retirement pay that is beneath established poverty levels and by definition in title 38 are "indigent" veterans.

Mr. Chairman, The American Legion and the Armed Forces owe you and this subcommittee a debt of gratitude for your strong support of military quality of life issues. Nevertheless, your assistance is needed now more than ever. Positive congressional action is needed in this budget to overcome old and new threats to retaining the finest military in the world. Service members and their families continue to endure physical risks to their well-being and livelihood, substandard living conditions, and forfeiture of personal freedoms that most Americans would find unacceptable. Worldwide deployments have increased significantly and the Nation is at war: a smaller Armed Force has operated under a higher operational tempo with longer work hours, greater dangers, and increased family separations. The very fact that over 300,000 guardsmen and reservists have been mobilized since September 11, 2001, is first-hand evidence that the United States Army woefully has needed at least two more active divisions for nearly a decade.

Throughout the drawdown years, military members have been called upon to set the example for the Nation by accepting personal financial sacrifices. Their pay raises have been capped for years, and their health care system has been overhauled to cut costs, leaving military families with lessened access to proper health care. The American Legion congratulates Congress for their quality of life enhancements contained in past National Defense Autorization Acts (NDAAs). The system however, is in dire need of continued improvement.

Now is the time to look to the force recruiting and retention needs. Positive congressional action is needed to overcome past years of negative career messages and to address the following quality of life features:

- Closing the Military Pay Gap With the Private Sector—The previous Chairman of the Joint Chiefs of Staff stated that the area of greatest need for additional defense spending is "taking care of our most important resource, the uniformed members of the Armed Forces." To meet this need, he enjoined Members of Congress to "close the substantial gap between what we pay our men and women in uniform and what their civilian counterparts with similar skills, training, and education are earning." But 11 years of pay caps in previous years took its toll and military pay continues to lag behind the private sector at about 5.4 percent. With U.S. troops battling terrorism in Iraq and Afghanistan, The American Legion supports at least a 3.5 percent military pay raise. The American Legion believes the gap should be erased within 3 years or less.
- Basic Allowance for Housing (BAH)—For those who must live off base, the provision of BAH is intended to help with their out-of-pocket housing expenses. Secretary of Defense Rumsfeld set a goal of entirely eliminating average out-of-pocket housing expenses. This subcommittee has taken strong steps in recent times to provide funding to move toward lowering such expenses by 2005. Please continue to work to keep the gap closed between BAH and the members' average housing costs during future years.
- Commissaries—Several years ago, the DOD had considered closing some 37 commissary stores worldwide and reducing operating hours in order to resolve a $48 million shortfall in the Defense Commissary Agency (DeCA). Such an effort to reduce or dismantle the integrity of the military commissary system would be seen as a serious breach of faith with a benefit system that serves as a mainstay for the active and Reserve components, military retirees, 100 percent service-connected disabled veterans, and others. The American Legion urges Congress to preserve full Federal subsidizing of the military commissary system and to retain this vital non-pay compensation benefit. Furthermore, The American Legion fully supported the full-time usage of commissary stores by members of the Reserve components, which was authorized; that the system not be privatized or consolidated; and that DeCA manpower levels not be further reduced. The American Legion would oppose any attempts by the DOD to impose "variable pricing" in commissaries.
- DOD Domestic Dependents Elementary and Secondary Schools (DDESS)—The American Legion is concerned about the possible transfer of DDESS, which is the target of an ongoing study in the DOD. The American Legion urges the retention and full funding of the DDESS as they have provided a source of high quality education for children attending schools on military installations.
- Absentee Voting—With the fiasco of the 2000 election and the difficulty members of the military had in voting absentee, The American Legion urges members of this subcommittee to direct the DOD to reinstate the military absentee voting "test" that Congress has funded and has been discontinued by the DOD. Many States have already implemented Internet voting in recent primaries.
- Cold War Victory Medal—The American Legion recommends that this subcommittee authorize a Cold War Victory Medal to those who served during the period September 2, 1945 through December 21, 1991, to commemorate service and victory in the Cold War, which eliminated the threat of a determined enemy to overpower the freely elected democracies of the world.

GI BILL EDUCATION BENEFITS

The American Legion commends the 108th Congress for its actions to improve the current MGIB. A stronger MGIB is necessary to provide the Nation with the caliber of individuals needed in today's Armed Forces. The American Legion appreciates the efforts that this Congress has made to address the overall recruitment needs of the

Armed Forces and to focus on the current and future educational requirements of the All-Volunteer Force.

Over 96 percent of recruits currently sign up for the MGIB and pay $1,200 out of their first year's pay to guarantee eligibility. However, only one-half of these military personnel use any of the current MGIB benefits. This we believe is directly related to the fact that current GI Bill benefits have not kept pace with the increasing cost of education. Costs for attending the average 4-year public institution, as a commuter student during the 1999–2000 academic year was nearly $9,000. Public Law 106–419 raised the basic monthly rate of reimbursement under MGIB to $900 per month for a successful 4-year enlistment and $732 for an individual whose initial active duty obligation was less than 3 years. The current educational assistance allowance for persons training full-time under the MGIB—Selected Reserve is $276 per month.

The Servicemen's Readjustment Act of 1944, the original GI Bill, provided millions of members of the Armed Forces an opportunity to seek higher education. Many of these individuals may not have been afforded this opportunity without the generous provisions of that act. Consequently, these service men and women made a substantial contribution not only to their own careers, but also to the economic well being of the country. Of the 15.6 million veterans eligible, 7.8 million took advantage of the educational and training provisions of the original GI Bill. Between 1944 and 1956, when the original GI Bill ended, the total educational cost of the World War II bill was $14.5 billion. The Department of Labor estimates that the government actually made a profit because veterans who had graduated from college generally earned higher salaries and therefore paid more taxes. Today, a similar concept applies. The educational benefits provided to members of the Armed Forces must be sufficiently generous to have an impact. The individuals who use MGIB educational benefits are not only improving their career potential, but also making a greater contribution to their community, State, and Nation. The American Legion applauds the improvements in the MGIB contained in the NDAA for Fiscal Year 2002, but there is more to be accomplished.

Today's military educational benefits package directly competes with other federally-funded educational programs, such as AmeriCorps, Pell Grants, and others that offer equal or greater monetary benefits with less personal sacrifice and hardships. The American Legion believes that the veterans' educational benefits package for the 21st century must be designed to recruit outstanding individuals to meet the needs of the Armed Forces and to serve as a successful transition instrument from military service back into the civilian workforce.

The American Legion recommends the following improvements to the current MGIB:

- The dollar amount of the entitlement should be indexed to the average cost of a college education including tuition, fees, textbooks, and other supplies for a commuter student at an accredited university, college, or trade school for which they qualify;
- The educational cost index should be reviewed and adjusted annually;
- A monthly tax-free subsistence allowance indexed for inflation must be part of the educational assistance package;
- Enrollment in the MGIB shall be automatic upon enlistment; however, benefits will not be awarded unless eligibility criteria have been met;
- The current military payroll deduction ($1,200) requirement for enrollment in MGIB must be terminated;
- If a veteran enrolled in the MGIB acquired educational loans prior to enlisting in the Armed Forces, MGIB benefits may be used to repay those loans;
- If a veteran enrolled in MGIB becomes eligible for training and rehabilitation under chapter 31 of title 38, USC, the veteran shall not receive less educational benefits than otherwise eligible to receive under MGIB;
- A veteran may request an accelerated payment of all monthly educational benefits upon meeting the criteria for eligibility for MGIB financial payments, with the payment provided directly to the educational institution;
- Separating service members and veterans seeking a license, credential, or to start their own business must be able to use MGIB educational benefits to pay for the cost of taking any written or practical test or other measuring device;
- Eligible veterans shall have 10 years after discharge to utilize MGIB educational benefits; and
- Eligible members of the Select Reserves who qualify for MGIB educational benefits shall receive not more than half of the tuition assistance

and subsistence allowance payable under the MGIB and have up to 5 years from their date of separation to use MGIB educational benefits.

RESERVE COMPONENTS

The advent of smaller Active-Duty Forces reinforces the need to retain combat-ready National Guard and Reserve Forces that are completely integrated into the Total Force. The readiness of National Guard and Reserve combat units to deploy in the war on terrorism will also have a cost in terms of human lives unless Congress is completely willing to pay the price for their readiness. With only ten active Army divisions in its inventory, America needs to retain the eight National Guard divisions, in heightened readiness postures, as its life insurance policy.

Reliance on National Guard and Reserve Forces has risen 13-fold over the pre-Gulf War era. This trend continues even though both Reserve and Active Forces have been cut back 30 percent and about 25 percent, respectively, from their Cold War highs. In addition, since the terrorist attacks on the American homeland on September 11, 2001, more than 300,000 Guard and Reserve troops have been activated to support homeland defense and overseas operations in the war on terror. Soon, 40 percent of the forces in Iraq will consist of activated reservists.

National Guard and Reserve service today involves a challenging balancing act between civilian employment, family responsibilities, and military service. Increasingly, National Guard and Reserve families encounter stressful situations involving health care, economic obligations, and employer uncertainty. Much was accomplished last year for the Guard and Reserves. Benefit issues of particular concern in this area include:

- Review and upgrade the Reserve compensation and retirement system without creating disproportional incentives that could undermine Active Force retention; change the retirement age from 60 to 55 for guardsmen and reservists;
- Continue to restore the tax deductibility of non-reimbursable expenses directly related to Guard and Reserve training;
- Reduce the operations tempo; increase Army force levels; allocate adequate recruiting and retention resources;
- Streamline the Reserve duty status system without compromising the value of the compensation package;
- Improve Reserve MGIB benefits proportional to the active duty program;
- Allow reservists activated for 12 months or longer to enroll in the active duty MGIB;
- Allow the Guard and Reserve to accrue for retirement purposes all points earned annually;
- Make TRICARE permanently available to all drilling guardsmen and reservists and their families;
- Tax credits for employers who choose to make up the defense between military pay and reservists salary when they are activated; and
- Growing concerns are that the Reserve components, especially the National Guard, are being overused in contingency and peacekeeping operations, as these service members have regular civilian jobs and families as well. The National Guard also has State missions in their home States. The American Legion understands that retention rates and, therefore, strength levels are falling in those States, which have deployed or scheduled to deploy guardsmen overseas. Governors of these States continue to express concern that State missions will not be accomplished. The National Guard from 44 States has had a presence in 35 foreign countries.

The American Legion is also supportive of all proposed quality of life initiatives that serve to improve living and working conditions of members of the Reserve components and their families.

HEALTH CARE FOR MILITARY BENEFICIARIES

Today, there are approximately 8.2 million beneficiaries in the military health care program. Military retirees and their dependents make up nearly one half of that number, and over 500,000 retirees have lost or will lose their access to military health care as a result of the closure of approximately 40 percent of military treatment facilities. Access to affordable health care, regardless of age, status or location, has represented a major concern among military retirees.

The American Legion also applauds your work in eliminating TRICARE co-payments for active duty family members. We also salute the DOD for reducing active duty time for reservists to 30 days for their families to be eligible for TRICARE. For drilling Guard and Reserve members who do not have health coverage from

their employers, the NDAA for Fiscal Year 2004 authorizes premium-based TRICARE eligibility only until the end of the calendar year. This health care plan needs to be made permanent.

The creation of TRICARE for Life (TFL) and a TRICARE Senior Pharmacy (TSRx) benefit in Public Law 106–398 was a historic triumph for Congress and those 1.3 million Medicare—eligible military retirees and dependents. Although Congress enacted legislation to restore TRICARE to Medicare-eligible beneficiaries as a wrap-around to Medicare (TFL) and to improve TRICARE for active duty families, further improvements are still needed, especially for retired beneficiaries under age 65:

- TRICARE must be a consistent, reliable, and equitable health care benefit for all uniformed service beneficiaries, regardless of age or geography. Low reimbursement rates are causing providers to refuse any TRICARE patients or reduce the number of TRICARE patients they will treat, limiting beneficiary access and choice. Solution: Increase statutory (Medicare) payment rates; require use of existing authority to raise TRICARE rates where necessary to ensure sufficient numbers of participating providers. Streamlining payments to providers through Web-based claims payments.
- TRICARE may be cumbersome to use and cause administrative hassles for providers and beneficiaries attempting to obtain authorization, expedite claim repayment, or move between regions. Solution: Improve TRICARE Prime enrollment procedures, portability, and beneficiary education. Decrease administrative burdens, eliminate non-availability statement requirements, streamline claims processing requirements with greater reliance on electronic claims technology, and eliminate unnecessary reporting requirements. Require TRICARE contractors to assist beneficiaries in finding TRICARE Standard providers. Eliminating the 115 percent billing limit when TRICARE Standard is second payer to other health insurance;
- The American Legion is opposed to the integration of VA and DOD facilities and health care systems, however, we do support increased sharing arrangements;
- Institute "benefits plus benefits" reimbursement methodology. TFL pays beneficiary expenses not covered by Medicare ("benefits plus benefits"). For TRICARE Standard beneficiaries with other health insurance (OHI), TRICARE seldom pays expenses not covered by other insurance ("benefits less benefits"). Solution: Restore TRICARE reimbursement policy to pay up to what TRICARE would have paid had there been no OHI coverage (as was the policy before 1993); and
- The American Legion will work with the DOD and Congress to develop and maintain a comprehensive uniform pharmacy benefit for all beneficiaries.

Mr. Chairman, since the commencement of the first class of graduates of the Uniformed Services University of Health Sciences (USUHS) in 1980, over 3,200 physicians continue to pursue careers as physicians in the Army, Navy, Air Force, and the U.S. Public Health Service each year. The USUHS education process emphasizes primary care medicine and also provides special training in military medicine and combat stress courses not found in civilian medical school curricula. USUHS graduates have also proven themselves willing to accept operational overseas assignments often viewed as less than desirable by civilian medical school graduates.

Previous NDAAs have prohibited the closure of USUHS. The NDAA also provided a 5-year prohibition on reducing the staffing levels of USUHS below the levels established as of October 1, 1993. The American Legion urges Congress to resist any efforts to circumvent the law to downscale or close the USUHS. The American Legion is convinced that the USUHS is an economical source of career medical leaders who serve this nation during peace and war and provide military health care consistency and stability. The American Legion urges Congress to retain and fully fund USUHS as a continued source of career military physicians for the Army, Navy, Air Force. and U.S. Public Health Service. The American Legion also supports the construction of an Academic Center to accommodate the USUHS Graduate School of Nursing.

OTHER MILITARY RETIREE ISSUES

The American Legion believes strongly that quality of life issues for retired military members and families also are important to sustaining military readiness over the long term. If the Government allows retired members' quality of life to erode over time, or if the retirement promises that convinced them to serve are not kept, the retention rate in the current force will undoubtedly be affected. The old adage

that you enlist a recruit, but you reenlist a family is truer today than ever as more career-oriented service members are married or have dependents.

Accordingly, The American Legion believes Congress and the administration must place high priority on ensuring that these longstanding commitments are honored:

- VA Compensation Offset to Military Retired Pay (Retired Pay Restoration)—Under current law, a military retiree with compensable, VA disabilities cannot receive full military retirement pay and VA disability compensation. The military retiree's retirement pay is offset (dollar-for-dollar) by the amount of VA disability compensation awarded. The American Legion supports restoration of retired pay (concurrent receipt) for all disabled military retirees. We would like to thank the subcommittee for authorizing concurrent receipt for disabled retirees rated 50 percent and higher and for including Temporary Early Retirement Authority (TERA) retirees as well as disabled retired reservists who are receiving retired pay for longevity. The American Legion is also grateful for the Enhanced Combat-Related Special Compensation (CRSC), which was enacted in the NDAA for Fiscal Year 2003. Mr. Chairman, we have a ways to go in extending concurrent receipt to those disabled retirees for longevity rated 50 percent and less; including TERA retirees in CRSC eligibility; and extending concurrent receipt to those disabled retirees who were medically retired before reaching 20 years of service. The American Legion has visited Walter Reed Army Medical Center on numerous occasions to talk with wounded and injured young soldiers, many with amputated limbs suffered as a result of combat action in Iraq and Afghanistan. They too are prohibited from receiving both military retirement pay for their physical disability and VA disability compensation. This puts an additional financial strain on these severely disabled soldiers and their families. The American Legion is extending its Family Support Network to these soldiers and their families when they are medically retired from the service. The purposes of these two compensation elements are fundamentally different. A veteran's disability compensation is paid to a veteran who is disabled by injury or disease incurred or aggravated during active duty military service. Monetary benefits are related to the residual effects of the injury or disease or for the physical or mental pain and suffering and subsequently reduced employment and earnings potential. Action should be taken this year to provide full compensation for those military retirees who served both more than and fewer than 20 years in uniform and incurred service-connected disabilities. Disabled military retirees are the only retirees who pay for their own disability compensation from their retirement pay; and they cannot receive both military disability retirement pay and VA disability compensation. It is time to completely cease this inequitable practice. What better time to authorize and fund concurrent receipt for all disabled retirees than during this period of war?
- Social Security Offset to the SBP—The American Legion supports amending Public Law 99–145 to eliminate the provision that calls for the automatic offset at age 62 of the military SBP with Social Security benefits for military survivors. Military retirees pay into both SBP and Social Security, and their survivors pay income taxes on both. The American Legion believes that military survivors should be entitled to receipt of full Social Security benefits, which they have earned in their own right. It is also strongly recommended that any SBP premium increases be assessed on the effective date of, or subsequent to, increases in cost-of-living adjustments and certainly not before the increase in SBP as has been done previously. In order to see some increases in SBP benefits, The American Legion would support an improvement of survivor benefits from 35 percent to 55 percent over a 10-year period. The American Legion also supports initiatives to make the military SBP more attractive. Currently, about 75 percent of officers and 55 percent of enlisted personnel are enrolled in the Plan.
- Reducing the Retired Reservist Age from 60 to 55—The American Legion believes that retirement pay should be paid sooner as members of the Guard and Reserve are now being used to replace Active-Duty Forces in Afghanistan and Iraq and are projected to become 40 percent of total forces in those theaters. Similarly, these retirees and their dependents should be eligible for TRICARE health care and other military privileges when they turn 55.
- Military Retired Pay Cost of Living Adjustments (COLAs)—Service members, current and future, need the leadership of this subcommittee to ensure Congress remains sensitive to longstanding contracts made with generations of career military personnel. A major difficulty is the tendency of

some to portray all so-called "entitlement" programs, including military retirement, as a gratuitous gift from the taxpayer. In truth, military retired pay is earned deferred compensation for accepting the unique demands and sacrifices of decades of military service. The military retirement system is among the most important military career incentives. The American Legion urgently recommends that the subcommittee oppose any changes to the military retirement system, whether prospective or retroactive that would undermine readiness or violate contracts made with military retirees.

• The SBP Veterans Dependency and Indemnity Compensation Offset for Survivors—Under current law, the surviving spouse of a retired military member who dies from a retiree was also enrolled in SBP, the surviving spouse's SBP benefits are offset by the amount of DIC (currently $948 per month). A pro-rated share of SBP premiums is refunded to the widow upon the member's death in a lump sum, but with no interest. The American Legion believes that SBP and DIC payments, like military retirement pay and disability compensation, are paid for different reasons. SBP is elected and purchased by the retiree based on his/her military career and is intended to provide a portion of retired pay to the survivor. DIC payments represent special compensation to a survivor whose sponsor's death was caused directly by his or her uniformed service. In principle, this is a government payment for indemnity or damages for causing the premature loss of life of the member, to the extent a price can be set on human life. These payments should be additive to any military or Federal civilian SBP annuity purchased by the retiree. There are approximately 27,000 military widows/widowers affected by the offset under current law. Congress should repeal this unfair law that penalizes these military survivors.

• Uniformed Services Former Spouses Protection Act (USFSPA)—The American Legion urges congressional support for amending language to Public Law 97–252, the USFSPA. This law continues to unfairly penalize active duty Armed Forces members and military retirees. USFSPA has created an even larger class of victims than the former spouses it was designed to assist, namely remarried active duty service members or military retirees and their new family. The American Legion believes this law should be rescinded in its entirety, but as an absolute minimum, the provision for a lifetime annuity to former spouses should be terminated upon their remarriage. This is consistent with most divorce decrees. Based on this current provision, monthly provisions for life are being granted to former spouses regardless of marital status, need, or child custodial arrangements. The time has come to cease lifetime annuities to former military spouses, should they remarry. Judicial determinations of appropriate support should be determined on a case-by-case basis and not be viewed as an "entitlement" by former spouses as exists under current law. The American Legion urges hearings on the USFSPA.

• Base Realignment and Closure (BRAC)—Whenever a BRAC is conducted, The American Legion urges that certain base facilities such as base medical facilities, commissaries, exchanges, and other facilities be preserved for use by active and Reserve personnel and military retired veterans and their families.

THE AMERICAN LEGION'S FAMILY SUPPORT NETWORK

The American Legion continues to demonstrate its support and commitment to the men and women in uniform and their families. The American Legion's Family Support Network is ready to provide immediate assistance to service personnel and their families, whose lives have been directly affected by OIF and the ongoing global war on terrorism. Created during the early days of Desert Shield in response to the massive activation of Reserve and National Guard members, the Family Support Network garners the resources of nearly 15,000 local posts nationwide to assist military families enduring hardships incurred due to military service.

Since September 11, 2001, the Nation has been on high alert and National Guard and Reserve units have been activated in record numbers. As a result, the families of these men and women often find themselves unable to meet normal monthly household obligations. Assistance is needed for a variety of everyday chores and expenses. These needs range from routine household chores, grocery shopping, and childcare, to ensuring that the grass is mowed for the expecting mother whose husband is serving abroad.

To actively address these issues, The American Legion maintains a 24-hour nationwide toll-free telephone number, 1–800–504–4098, for service personnel and

their families to call for assistance. Families can also request assistance electronically through the American Legion's Web site at www.legion.org or email at familysupport@legion.org. All requests are referred to The American Legion Department, or State, in which the call originated. Departments relay the collected information to a local American Legion Post. The post then contacts the service member or family to see how assistance can be provided locally. Since the creation of the Family Support Network in 1990, thousands of local posts have responded to meet these families' needs in their communities. The Family Support Network has handled over 3,500 requests and inquiries since the terrorist attacks of September 11, 2001. On average, the Family Support Network receives four inquires per day.

As the Armed Forces pursue the enemies of freedom in Iraq and around the globe, The American Legion supports the men and women in uniform and their families with the Family Support Network. Legionnaires, who served our Nation in times of adversity, remember how it felt to be separated from those they loved. The Family Support Network is successful as a direct result of Legionnaires, at the Post level in local communities, responding to the needs of comrades and their families. As the Nation's largest veteran's organization, this commitment to the men and women of the Armed Forces and their families is absolute and steadfast. As a grateful Nation, we must ensure that no family endures hardships caused by military service that ensures the American ideals and freedom.

PROCUREMENT/TRANSFORMATION

Only a few major systems currently in production would be funded in the fiscal year 2005 defense budget. The funding level for procurement is improved but needs to be sustained. The American Legion fully supports the Army's transformation program. Major development programs that The American Legion also supports include the Air Force F–22 fighter and C–17, F/A–18Es for the Navy, and Joint Strike Fighters for the Air Force and Navy. Unquestionably, the Navy needs to upgrade its aging fleet and air arm as well as acquire more submarines. The American Legion strongly believes that the rate of shipbuilding needs to be substantially increased so that the Navy can attain its goal of 280–300 ships. The Navy has been retiring ships faster than they have had them built.

If left unadvised, omissions in the DOD's modernization budget will have the following implications:

- They will result in the continued deterioration of the defense industrial base;
- The future technological superiority of American forces will be at risk thereby increasing the danger to service members should they be called into combat. We are currently retiring ships and aircraft faster than they are being built; and
- The failure to replace and upgrade equipment in a timely manner will create a massive modernization shortfall in each of the military services and, possibly, lead to even more serious readiness problems in the long run.

America's winning technology in the Persian Gulf War, like its victorious all-volunteer force, did not develop overnight, but had its genesis in the decade of the 1980s. The modernization of the Armed Forces since the end of the Persian Gulf War, unfortunately, has been delayed and curtailed. The 2005 budget request is designed to advance each of the transformational goals mentioned by the Secretary of Defense in his congressional testimony last year. It accelerates funding both for the development of transformation programs as well as by funding modernization. Recognizably, transformation is a process, and is a process that must continue. The Chairman of the Joint Chiefs of Staff in previous defense budget hearings called for procurement budgets of $60 billion annually, which for the first time was reflected in the fiscal year 2001 budget. Army procurement dollars alone have plummeted by almost 80 percent since the mid-1980s, and by 67 percent for all the Services. Trade-offs to maintain readiness within budget constraints have caused the Services to cancel a number of weapons systems and to delay others. The war on terrorism has put transformation on hold.

A number of defense consulting firms have predicted that the Armed Forces are heading for a "train wreck" unless annual defense budgets called for procurement accounts in the $118 billion range, rather than in the $45–60 billion range.

The American Legion urges Congress to preserve America's defense industrial base by continuing to fund research, development and acquisition budgets so as to retain its technological edge in the 21st century and assure that military production can surge whenever U.S. military power is committed. Some of these capabilities, such as tank production and shipbuilding, need to be retained. Key industrial capa-

bilities that preserve more of the defense industrial base need to be identified and retained.

The American Legion opposes termination or curtailing of essential service modernization programs, diminution of defense industrial capabilities, and rejects the transfers of critical defense technologies abroad.

The American Legion firmly believes with the continuing threat of nuclear proliferation, America should retain its edge in nuclear capabilities as represented by the TRIAD system, and the highest priority should be the deployment of a national missile defense. Although the development and deployment of advanced theater missile defenses to protect U.S. forward deployed forces is imperative, any dismantling of acquisition programs to defend the American people is imprudent. America should continue to march on deploying an anti-ballistic missile detection and interception system that is capable of providing a highly effective defense against limited attacks of ballistic missiles. The price of maintaining a strong defense is expensive in terms of tax dollars, but failure to do so could prove much more expensive in terms of human lives and real threats to freedom. The national security framework provides the umbrella that allows Americans to work and prosper without fear. A strong national defense does not inhibit a strong economy; it complements it. Congress and the military establishment must spend tax dollars prudently and effectively. DOD must ensure that all aspects of its procurement and manning levels are responsible and disciplined.

CONCLUSIONS

Thirty years ago America opted for an all-volunteer force to provide for the national security. Inherent in that commitment was a willingness to invest the needed resources to bring into existence a competent, professional, and well-equipped military. The fiscal year 2005 defense budget while recognizing the war on terrorism and homeland security represents another good step in the right direction.

What more needs to be done? The American Legion recommends, as a minimum, that the following steps be implemented:

- Continued improvements in military pay, equitable increases in BAH and subsistence, military health care, improved educational benefits under the MGIB, improved access to quality child care, impact aid and other quality-of-life issues. The concurrent receipt of military retirement pay and VA disability compensation for all disabled retirees needs to be authorized and funded. The SBP needs to be increased from 35 to 55 percent for Social Security-eligible military survivors.
- Defense spending, as a percentage of GDP, needs to be maintained at least 3.5 percent annually which this budget does achieve.
- The end strengths of the active Armed Forces need to be increased to at least 1.6 million for the Services and the Army needs to be increased by two more divisions.
- The QDR strategy needs to call for enhanced military capabilities to include force structures, increased end strengths and improved readiness, which are more adequately resourced.
- Force modernization needs to be realistically funded and not further delayed or America is likely to unnecessarily risk many lives in the years ahead.
- The National Guard and Reserves must be realistically manned, structured, equipped and trained, fully deployable, and maintained at high readiness levels in order to accomplish their indispensable roles and missions. Their compensation, health care, benefits and employment rights need to be continually improved.

Mr. Chairman, this concludes The American Legion statement.

Senator CHAMBLISS. Thank you, Mr. Duggan, and I try to make it a point to visit with my folks at your annual convention in Macon every year. You're all my heroes and we appreciate the great work and service you provide to our country.

I just have to tell you I got an e-mail from my staff. It looks like the budget that's going to come out of the Senate Budget Committee is going to call for a $7 billion reduction in the President's budget for the DOD, so it's going to make this year's Defense budget much more difficult to work with.

I'm going to throw this out there. I don't know whether Ms. Raezer, you're the one that ought to answer this, but an issue of great concern to the DOD is how to best regulate access by private insurance companies to military installations and to the military personnel who live and work there. Documented abuses in the past by some agents of private insurers who were given access to military installations has prompted this concern.

Based on your experience, what advice would you give the DOD about how best to control and monitor the actions of insurance agents on military installations?

Ms. RAEZER. I think the first piece of the DOD's action has to be education to service members about good financial practices, financial planning practices, what to look out for, and how to plan for your future in the most productive way. The DOD is starting a bigger financial literacy campaign to address things like insurance sales, payday lending that occurs out in the communities, working with spouses as well, and how to handle family finances when the service member goes overseas.

We believe the DOD's tools to restrict access—and this is the NMFA—the Coalition supports financial literacy efforts, but does not have a position on the insurance access. The NMFA would hope that people who are trying to take advantage of our service members aren't allowed on an installation.

We believe the practice has gotten a lot better as commanders have become more aware of it, and that's another piece of the education campaign that has to happen. Service members need to be aware that people are trying to take advantage of them and that there are good uses of their money and there are bad uses of their money. They need to be encouraged to seek out credit unions and become involved in them and use them for loans rather than other sources in the community that may offer attractive deals initially but then take them in the end.

Commanders also need to be a part of this process. Commanders need to be aware of who's coming on their installations and selling things. Commanders need to be aware of what's going on downtown and who's taking advantage of their young service members, working local education, and also trying to work with the senior enlisted in the units to get better information to the service members and through the family centers. We've seen some progress in education, but we would hope the DOD would continue to look at ways both to educate service members and restrict access to the people who would take advantage of them.

Senator CHAMBLISS. Mr. Cline, according to the DOD, the Army Reserve and the National Guard are both slightly behind in meeting their recruiting goals this year, and I think General Schultz said this morning the Guard is about 3,000 members behind in recruiting right now.

What's your assessment of this situation? What recommendations would you have for the DOD to ensure that this is not the beginning of a dangerous long-term trend?

Sergeant CLINE. Well, I can tell you this, Senator, that one of the issues that is affecting the Army National Guard is the fact that with stop-loss in effect, those active duty accessions that we nor-

mally get into the Guard are not there. That probably represents somewhere in the area of 3 to 6 percent of the total recruiting goal.

We need better pay and better benefits, especially in the Guard and Reserve. When you stop and look at the benefits that we provide a person coming into the Guard and Reserve, depending upon what type of unit they're coming into, they may or may not get a bonus. Other than offering them a small sum for the MGIB, the potential of having a retirement at age 60 after serving 20 or 30 years in the Guard and Reserve, facing numerous call-ups, benefits do play a role in getting people to join: education benefits, TRICARE for Guard and Reserve, earlier retirement.

Senator CHAMBLISS. Dr. Schwartz, what's your assessment of the progress made by DOD in improving the TRICARE Standard option in light of the mandates provided by Congress last year?

Dr. SCHWARTZ. Slim, fat, and none. A report is due to Congress on the 31st of March. No, I apologize, sir, I didn't mean to be disrespectful, but we haven't seen any progress yet. We must keep in mind that they have a full plate this year with the turn of the TRICARE contracts, and that's a mammoth challenge. With the Guard and Reserve benefit, that's a mammoth challenge as well.

However, there are ways to help beneficiaries find providers. We're certainly encouraged that they've set up a database. If you can get on the Web, you could put in a zip code. My hometown is Phillipsburg, New Jersey. There are few military beneficiaries in Phillipsburg, New Jersey. You put in that zip code and you can pull up how many providers have filed TRICARE claims in that area, so at least it gives you a fighting chance at trying to figure out if there is a doctor in your area who will take TRICARE patients.

But we ask that the subcommittee provide oversight that the DOD does move forward to help our Standard folks.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman. I ask permission to include the statement from the Gold Star Wives of American in the record.

Senator CHAMBLISS. Certainly. Without objection.

[The information referred to follows:]

GOLD STAR WIVES OF AMERICA, Inc.

Ending the Survivors Benefit Plan (SBP) offset by Dependency Indemnity Compensation (DIC)

The Survivor Benefit Plan (SBP) was established by Congress on September 12, 1972, (Public Law (PL) 92-425) to provide a monthly income to survivors of retired military personnel upon the member's death when retired pay stops. Survivors of members who die while on active duty, and survivors of members recalled to active duty from retirement who die while on active duty may also fall within SBP under a recent law. Typically, the retired service member pays into his/her SBP plan and the surviving spouse is gets an annuity until age 62 equal to 55 per cent of the retiree's base retirement pay. After age 62, the payment is reduced dollar-for-dollar by social security entitlement resulting from a member's military service after 1956. Under the new law (PL 107-107), spouse and/or child SBP coverage is automatic for all active duty members. However, the member's death must be classified in line-of-duty. The SBP benefits in all instances, with the exception of eligible children are offset by DIC. If the DIC payment offsets the entire SBP annuity, the payments made by the member are refunded to the surviving spouse as a taxable event. Of the approximately 250,000 survivors receiving SBP benefits there are approximately 48,000 who have had their SBP offset by DIC.

While DIC is non-taxable income and SBP is taxable, widows of these disabled retirees see little or no SBP funds despite having paid monthly premiums adding up to thousands of dollars over the years. As a consolation for having made these payments, the accumulated premiums are returned to them without interest. This then becomes a taxable event for her. Unfortunately, there was very little tax advantage for the disabled retiree when paying SBP premiums because his income was predominately non-taxable. Consequently, there is no real advantage to SBP for this group of widows and, in fact, it becomes a burden. The net effect of their monthly premium payments that the retired disabled veteran's widow pays taxes for having given the federal government a tax free loan.

There is no civilian employer that would be permitted to return many years of survivorship contributions, without interest, should it chose not to pay on a purchased benefit. Yet, under current law the widow of a military retiree is denied participation in a cost-sharing benefit that was meant to protect them. Again, had the disabled service member retired from 20 years of federal civil service, the widow would be entitled to both the civil service survivor benefit and DIC, with no offset.

Many SBP/DIC widows have spent more than 20 years sacrificing and supporting their husband's military careers and then years taking care of them during their years of disability. Retired pay represents deferred compensation for the 20 or more years of military service and disability pay is designed to compensate for a veteran's reduction in quality of life and lost future earnings as a result of his sacrifice for his country. Just as the disabled military retirees should be entitled to both benefits, so should their widows. Many of these widows are in their 50s or older and have not had the opportunity to develop their own careers. The DIC attempts to indemnify them for their husband's loss of life and an element of support for their future. The SBP represents completely different income that they have paid for and made a life of sacrifices for like multiple deployments, constant anxiety about their husband's well being, frequent moves, and no real chance to invest in a pension of their own.

Consequently, our top legislative priority is to end the SBP/DIC offset. Congressman Henry Brown (R-SC) has offered a house bill (H.R. 1726) to end the offset. Senator Bill Nelson (D-FL) has offered a similar bill (S. 585) in the senate.

Gold Star Wives of America, Inc. is chartered by the United States Congress and has offices at 5510 Columbia Pike, Arlington, VA 22204; (703) 998-0064.

Senator BEN NELSON. Thank you. Sergeant Cline, you and others have indicated the importance of benefits as part of a compensation package. Benefits can consist of health insurance benefits, and they can consist of a lot of other things. The commissary has always been one of those benefits. We worked hard and we got that extended to military families of Guard and Reserve members who are deployed and now we know that they're cutting back, we just heard, a recommended $7 billion in the Defense budget. That will ripple through the budget and affect all kinds of things. We don't know exactly how, but we know that it will.

As you've heard, the commissaries are perhaps right on the line for closing. Does that seem to fly in the face of what you think is a good way to secure for recruitment and retention our military families?

Sergeant CLINE. Well, sir, I can tell you this. Right now, we are spending on average about $80,000 to train an Army National Guard soldier. If you let them walk out the door, you've just thrown away $80,000, and that's what will happen after they've

served their 6 years of service, especially with the multiple call-ups that we're now facing.

Over the course of time, a person who serves in the Guard and Reserve for 20 years probably will accumulate somewhere between 3 to 5 years of active duty time with all the schools that they have to attend, time away from their employers, time away from their families. We never stop to take that into consideration. Even though we have laws like the Uniformed Services Employment and Re-employment Act (USERA) on the books, that doesn't make up for the contribution that they have to make back to their employer. That doesn't give them that interest back.

Yes, as you involuntarily mobilize somebody, they have three times the amount of time to pay that money in, up to 5 years, but that doesn't include that interest. So we have to make changes, we have to do something. The bottom line is, you either pay the piper now, sir, or you're going to pay him later on when it's going to cost a lot more money.

Senator BEN NELSON. So in answer to the question, I think I heard you say that closing the commissary is not necessarily a retention- or recruitment-friendly move.

Sergeant CLINE. No, it's not.

Senator BEN NELSON. It could also be cost-ineffective and frustrate the effort of what you're trying to do to recruit and retain because of the investment in the personnel you want to keep them.

Sergeant CLINE. Well, last year you passed legislation to give unlimited commissary privileges to Guard and Reserve. Shortly after that, in the Army Times, Air Force Times, and Navy Times, it appeared: 38 commissaries to close. I had members call me up saying, they give me a benefit, but they're closing the commissary, so what benefit have I gotten? You have to remember that out of the entire Guard and Reserve, and especially the Guard, we are not closely associated with a military post. Some of our people have to travel hundreds of miles to get to a commissary. It becomes a once-a-month trek for mom and dad to throw the kids in the car to travel 200 or 300 miles to get to that commissary to buy all those products that they need for an entire month. It's a great benefit and a great privilege, but the bottom line is, you start closing more bases and more commissaries, a benefit has gone away.

Senator BEN NELSON. Thank you, Mr. Cline. On health care funding, Dr. Schwartz, you very rightfully expressed concern about the full funding of the Defense health budget and that you've heard from some of the Services that the current funding level falls short of the requirements. That was before the chairman gave us the bombshell news about what the Budget Committee is recommending.

Can you tell us a little bit more about your concern as to what will happen if it is inadequately funded?

Dr. SCHWARTZ. Well, what's going to happen is, when the Services don't know how much money they're going to have or they know they have shortfalls, they can't plan for capital reinvestment. They may not repair a machine or they may not repair a roof because care has to be given to the patient. So they don't reinvest in the infrastructure of the organization. That's the thing that they let go by the wayside, and that's what we're fearful of.

Also, they may try to increase the cost shares for beneficiaries, and I represent the beneficiaries. As I represent my folks, they believe that there should be adequate funding. Nobody wants to pay more for health care, but when we saw what OMB was trying to do last fall by increasing the retiree cost shares in the pharmacy by two to three times and charging them in the medical treatment facility, we see on the horizon that things are coming.

So it's my job to bring my members' concerns to you and ask you to not increase the cost shares for the beneficiaries.

Senator BEN NELSON. Could it also involve some sort of rationing of health care or a waiting line, if you will?

Dr. SCHWARTZ. Well, we have waiting lines now, to be quite candid.

Senator BEN NELSON. But I mean additional waiting as it relates to health care.

Dr. SCHWARTZ. Well, they would have to change what are called the access standards, and what happens even unofficially is a beneficiary will call to make an appointment. The office may say we don't have any available for 30 days. So the naive consumer doesn't know that he or she has those access standards, and they say, well, I'm looking in my book here and my book says—now those beneficiaries can kind of navigate the system, but how many beneficiaries know what their access standards are?

So it gets pushed off further and further and further, and even in the National Capital area, sometimes the access standards aren't being met, so it's an unofficial way to do that.

Senator BEN NELSON. Ms. Raezer, do you have some thoughts about that too?

Ms. RAEZER. Well, yes, we're very concerned. When military treatment facilities encounter resource issues, cutbacks, the first thing they do is go back to what we thought we'd gotten away from with the introduction of TRICARE. You call on the third Monday after the first moon of the month in springtime and you ask for an appointment next month, and maybe if you're lucky and you got in on time, you get an appointment next month.

Our association and other associations hear from not just family members, not just retirees, but active duty service members as well that military hospitals are not meeting access standards. People are told, "call back, we don't have any appointments, call back next month." The worst recent example of that occurred with the medical hold issues at Fort Stewart and Fort Knox and other places last fall.

But if the health care system is strapped for funds and they can't hire that extra civilian pediatrician that they need to meet the needs of their community, they can't hire that orthopedist, they can't contract for an emergency room nurse, care gets cut back, people are going to wait longer, and access standards are going to go by the wayside.

Senator BEN NELSON. I think that takes care of my questions, Mr. Chairman. Thank you very much.

Senator CHAMBLISS. With regard to that issue at Fort Stewart and Fort Campbell, we had the Service vice chiefs in earlier this week, and we raised that issue with them because that was deplorable and we can't let that ever happen again. Some planning that

was not the best in the world took place there. But they understand now our displeasure with what happened there.

Let me just tell all of you how much we appreciate you being here. I think you understand that we're limited by funding as to a lot of things that we would like to do for our retired military as well as for our active duty spouses. As we go through this budget process this year, we're going to be addressing a lot of issues, and in anticipation of finding the funding for them somewhere along the way. We would not be able to know what those needs are if you didn't come and tell us what they are, so we appreciate very much you being here and we thank you for that.

I have the testimony here of the Reserve Officers Association, which I want to submit for the record. It will be entered and we will now stand adjourned.

[The prepared statement of the Reserve Officers Association of the United States follows:]

Statement of
Major General (Ret) Robert A. McIntosh
Executive Director
Reserve Officers Association of the United States

For the

Personnel Subcommittee
Senate Armed Services Committee
United States Senate

Concerning the

FY05 National Defense Authorization Act
March 4 2004

Reserve Officers Association of the United States
"Preserving the Nation's Defense

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The Reserve Officers Association of the United States (ROA) is a professional association of commissioned officers of our nation's seven uniformed services. ROA was founded in 1922 during the difficult years following the end of World War I. The founders of the ROA believed America was vulnerable to return to its pre-war unpreparedness. When chartered by Congress in 1950, the act established the objective of ROA: "...support and promote the development and execution of a military policy for the United States that will provide adequate National Security. The mission of ROA is to advocate strong Reserve Components and national security, and to support Reserve officers in their military and civilian lives

Our 75,000 members include Reserve and Guard soldiers, sailors, marines, airmen and coast guardsmen who frequently serve on active duty, voluntarily or involuntarily, to meet critical needs of the uniformed services. ROAs membership includes the U.S. Public Health Service and the National Oceanic Atmospheric Administration Corps. ROA is represented in each state with 55 departments plus departments in Latin America, the District of Columbia, Europe, the Far East and Puerto Rico. Each department has several chapters throughout the state and is further divided into regional chapters. There are more than 550 chapters worldwide.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS.

The Reserve Officers Association is a private, member-supported, congressionally chartered organization. Neither ROA nor its staff currently receive, or have not received grants (and/or sub-grants) or contracts (and/or subcontracts) from the federal government for the past three fiscal years. The Reserve Officers Association has accepted federal money solely for Reserve recruiting advertisement in our monthly magazine. All other activities and services of the Association's are accomplished free of any direct federal funding.

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INTRODUCTION

The current citizen warrior generation is continually being asked to repair their disrupted civilian lives after demobilization and then to return to military duty on a repetitive basis. As we consider the situation in which our Reservists find themselves, we can draw somewhat from history.

In looking back approximately 60 years we can see a partial parallel between the needs of citizen soldiers returning form WW II and similar needs of the current generation of citizen warriors returning from the War on Terrorism. In the late 1940s, as hundreds of thousands of our Nation's warriors returning from the last world war, we, as a nation, embraced them and their families. Our national leadership passed needed legislation concerning jobs, established a military Reserve retirement program, provided VA home loans, initiated a GI Bill for education, established a veterans preferential national hiring program, organized Reservists into units that could train for future wars, and implemented other programs to help in the transition from military duty to civilian vocation.

Thankfully, those benefits exist for the most part today, but certainly it is necessary to update policies and to take legislative actions to sustain the recruitment of the "brightest and best" citizen warriors. We must keep in mind the fact that preserving an "all volunteer" force requires somewhat different actions than were required to sustain yesteryear's drafted force. To summarize, there is a compelling need to fully update and bring to parity Reserve component personnel incentives, employer considerations, and family protections.
A secondary theme we as an Association and as individual tax payers know that congress must make some difficult choices relative to how financial resources are used. As citizens and as ROA members, our mission includes educating members of congress and others on the dire consequences of not spending enough to ensure a well-manned and ready Reserve. In the opinion of many, history reveals that prior to WW II and I the nation made some unwise choices concerning spending priorities and the need to ensure a ready military and a ready Reserve component. ROA's Charter calls for not allowing that to happen again.

It is important to acknowledge that over the past couple of months the Department of Defense has been executing one of the largest military rotations in our nation's history. As a Total Force, relying heavily on the Reserve Component forces, our military is again mobilizing and demobilizing numerous Reserve and National Guard units and individuals. Some of the newly mobilized personnel have already been performing significant amounts of duty over recent years, but most are entering the long tour recall scenario for the first time. Many of the Reserve component members who are returning home and demobilizing have served for one year, or in some cases, two years. During the demobilization we must always keep in mind that some active force and Reserve members have made the ultimate sacrifice for country. And, those who are returned with injuries have sacrificed at an extreme level. Our thoughts and prayers are with the many military member families who are experiencing severe hardship and grief.

With the above themes in mind, ROA approach the second session of the 108th Congress with a positive attitude and with gratitude that the First Session of the 108th Congress certainly made progress in the arena of Reserve component benefits, protections, and incentives. DoD is also expending significant effort and financial

resources to mitigate, during the current mobilization and demobilization, many of the complex problems that characterized past recall efforts. ROA salutes our Nation's legislative defense leaders for their progress.

TRICARE for Reserve Components. The FY2004 NDAA authorized TRICARE for Reservists to provide health coverage for unemployed Reservist or those unable to get insurance. This legislation will address previously identified mobilization and retention issues within the services.

ROA urges Congress to permanently establish the current TRICARE program for Selected Reserve and certain Individual Ready Reserve categories that are unemployed or not eligible for healthcare.

Reduce Retirement Age Eligibility for Reservists. Currently the Reserve Components are the only Federal entity that does not receive their earned retirement annuity at the time they have completed their service. Reducing the retirement eligibility age would close the gap between completion of service and collection of annuity.

ROA urges Congress to reduce the age when a Reserve Component member is eligible for retirement pay to age 55 and make retirement below age 60 optional.

Authorize Tax Credits for Employers of Reservist. Reservist employers often shoulder the burden of extra costs to support National Defense through the participation of their employees in the military. Support by employers of members in the Reserve Component enables the Total Force. Today's increased OPTEMPO makes employer support more important than ever. Employer pressure is listed as one of the top reasons for Reservists to quit.

ROA urges Congress to support employer tax credits as a way to help offset costs associated with employees' Reserve activities and reinforce employer support.

Raise the Survivor Benefit Plan (SBP) age-62 Benefit. Public Law 99-145 replaced the Social Security offset system with a "two-tier" system for those who first become retirement-eligible after 30 September 1985, but under which survivors' benefits will automatically be reduced from 55 percent to 35 percent upon survivors' attaining age 62.

ROA urges Congress to restore the SBP age-62 benefit from 35% back to 55%.

Repeal the SBP-Dependency Indemnity Clause (DIC) Offset. Survivors of retirees that paid into SBP and who die of service-connected causes as well as survivors of members killed on active duty are currently penalized for receiving both annuities by incurring an offset.

ROA urges Congress to allow survivors to receive both SBP and DIC benefits without the current dollar for dollar offset.

Mobilization and Demobilization. Since Desert Shield/Desert Storm the Reserve Components have experienced pay and healthcare problems. GAO has identified through several studies that in over a decade many of these problems continue to exist. The following proposals for legislation can help to mitigate problems encountered by Reservists:

- Provide Dental Transition Assistance for 180 Days After Demobilization
- Defer Repayment of Federal Student Loans

- Begin MGIB eligibility period when used for the first time
- Adjust interest rate on Federally Guaranteed Student Loans when the market rate drops below 6 percent
- Mandate Moratorium on Professional Civilian Education Requirements

ROA urges Congress to resolve pay and health care problems now being experienced by some mobilized and demobilized RC members.

Pay Differential. While there was once a clear and distinct line between Active and Reserve forces, as the two components merge into a continuum of forces, the argument for greater parity of benefits becomes increasingly compelling. The following areas of pay still are governed without parity between Active Duty and Reserve Components:

▪ Aviation Career Incentive Pay	▪ Hazardous Duty Incentive Pay
▪ Career Enlisted Flyers Incentive Pay	▪ Special Duty Assignment Pay
▪ Foreign Language Proficiency Pay	▪ Diving Special Duty Pay

ROA urges Congress to delete the 1/30th rule for those areas of pay that require Reserve Component personnel to maintain the same qualification levels as active duty.

PHS Reserve Force. The USPHS plans to create short-term duty missions and "rolling deployments" to address Presidential and Secretarial initiatives toward serving critical healthcare needs. Active duty and IRR officers will be called up to address these needs. These short-term duty missions will provide a requirement for a modernized reserve component system that can marshal resources for deployment at the local level for needed public health initiatives.

ROA urges Congress to establish a viable Public Health Service Reserve component.

Excluding Certain Reservists from Being Counted against Active Duty End Strengths. Title 10, United States Code, requires that Reservists exceeding 180 days of active duty during a fiscal year be counted against congressionally mandated active duty end strengths. This is an artificial barrier that prevents valid requirements from been met in the most effective manner. Congressional oversight and accountability could still be afforded by the use of a coding technique.

ROA urges Congress to amend Title 10, United States Code, to exclude Reservists who exceed 180 days' active duty, in support of the Active forces in operational and support missions, from being counted against that Reserve component's active duty end strength.

Joint Service Credit with the U.S. Coast Guard. The US Coast Guard operates as a service within the Department of the Navy in time of war or when otherwise directed and has taken a much greater role in Homeland Security and interacting with the other services.

ROA urges Congress to amend the Goldwater Nichols Act to allow members of the other four Armed Forces of the United States to receive joint service credit for each tour of active duty performed with the US Coast Guard in validated joint billets.

Transformation and Rebalancing. Currently changes to the Reserve Component are being presented piece-meal, which makes it difficult to properly assess or determine the actual impact to national defense. ROA will continue to support better fidelity and rigorous analysis of transformation initiatives and rebalancing planning.

ROA urges Congress to establish a commission to review the impact of active duty changes and how they will affect the Reserve Components.

National Guard and Reserve Equipment Account (NGREA). Currently Reserve equipment requirements are prioritized with active duty requirements. In most instances the Reserve priorities do not make it within the realm of being funded.

ROA urges Congress to support authorization and appropriation of a modern equipment account to enable Reserve component mission and readiness needs.

Health Care Coverage Options.

- Extend TRICARE coverage as an option for Reservists during all phases of their service: fee-based coverage prior to activation and "COBRA" coverage for up to one year after deactivation.
- Provide option of a government offset of the equivalent value of private health insurance premiums.
- Amend law for TRICARE Prime Remote for Family Member (TPRFM) to allow family members not residing with their activated (179 days) Reserve sponsor to participate in TPRFM.

ROA urges Congress to support healthcare reforms for Reserve Component personnel.

MGIB-SR Enhancements

- Begin eligibility period when military member elects to use the program upon their first application to use the education benefit
- Reduce the obligation period from 6 years in the Selected Reserve to 4 years in the Selected Reserve and 4 years in the Individual Ready Reserve. This change will ensure all service personnel have the opportunity to qualify for the education benefit. This compares to the active duty's program of requiring 3 years of service obligation.
- Stipulate that Reserve Component personnel can use their education benefits when mobilized.
- Require college refund provisions for Reserve Component personnel who lose tuition expenses when they cannot complete the semester/school term due to recall.
- Adjust interest rates on federal student loans when the market rate drops below 6 percent.

ROA urges Congress to support Selected Reserve education reforms for Reserve Component personnel.

Full Concurrent Receipt. Continue to pursue legislation that would provide full Concurrent Receipt to all Active Duty and Reserve Component disabled retirees regardless of job related disability rating percent.

ROA urges Congress to support the 13-member bipartisan Blue Ribbon Commission which will review and make recommendations for improving the VA disability system; and report progress to ROA membership.

High 36 Month Average Calculation for Disability Retired Pay for Reserve

Component Members. Currently, the high 36-month average calculation for Reserve component members retired under section 1204 or 1205 (members on active duty for 30 days or less or on inactive-duty training) treats these members as if they had served on active duty for the preceding 36 months, or the entire period of uniformed service if less than 36 months. But the method of determining the high 36-month average for Reserve component members retired under section 1201 or 1202 (members on active duty for more than 30 days) is arrived at by adding the number of days the member actually served on active duty until the last 36 months (1,080 days) of active duty—and the associated pay scale for that period of service—has been documented. Since Reserve service is usually periodic, the resulting disability retired pay may be significantly reduced when compared to a reservist who was disabled while serving on a period of active duty for less than 31 days or while performing inactive duty training.

ROA urges Congress to amend section 1407 of title 10, to specify that the formula for determining the "high-36 month average" for pay purposes for Reserve component members retired under section 1201 or 1202 of title 10 will be the same as the formula used for determining the high 36-month average for Guard and Reserve members who are retired under section 1204 or 1205.

ARMY RESERVE

Most of the critical issues affecting the Army Reserve and Army Guard are in the area of Personnel. Even issues pertaining to equipment tend to have a direct and significant effect to the personnel postures of our Army Reserve components. The first area that I would like to address is the subject of "Rebalancing."

REBALANCING. The Reserve Officers Association concurs in the need to rebalance the Active and Reserve forces as directed by the Secretary of Defense.

- Both the Army Reserve and Army Guard have been proactive and already have plans in place to reduce unneeded force structure and improve the personnel readiness of their congressionally –mandated end strengths and to focus on those missions that provide the best mix to the Total Force.
    - It has been mentioned that there is particular stress in the Army Reserve missions in Civil Affairs and Military Police. As you may be aware, the Army Guard has been transitioning certain heavy field artillery units into military police to relieve the stress on this critical function. Civil Affairs is a function that primarily resides in the Army Reserve. It has been suggested that more of this function should be transitioned into the Active Component. The Reserve Officers Association believes that this function most properly resides in the Reserve components since many of the required skills are found in the civilian community and are the day-to-day jobs of many of our Army Reservists (e.g. city managers, public accountants, attorneys, medical personnel, civil works, etc.). **The Reserve Officers Association believes that rather than reducing the number of Civil Affairs organizations in the Reserve Component, DoD should expand them in the rebalancing process.**
- There was a shortfall of almost $300 million for the Army Reserve in critical training dollars in the FY 2005 budget. These funds are required for troops returning from deployments as well as soldiers yet to deploy to train in new skills and for new equipment. The Army Reserve and Guard are in the process of

restructuring to be in step with both the Department of the Army and the Department of Defense in their rebalancing efforts. The lack of adequate training funds will hamper the transformation efforts that the Reserve and Guard have undertaken to improve readiness.

RECRUITING AND RETENTION. Some key issues in retention were addressed in the recent NDAA and Iraqi Supplemental. However, there is still work to be done to help ensure that the Army Reserve and Guard will be able to attract and retain the same high quality soldiers as it has in the past.

- TRICARE for the Selected Reserve and certain members of the Individual Ready Reserve must be expanded and made permanent. Our Reserve Soldiers are only provided with a physical exam at government treatment facility once every five years. They receive no government-provided dental exams. This is reflected at the mobilization sites where most of the deployment problems are in dental and medical areas. **The Reserve Officers Association believes that if reserve soldiers are required to meet the same medical and dental standards as the Active Component, they should be provided with the same evaluation process.**
- Reserve component soldiers should also receive special incentive and skill pay based on the requirement to maintain their special skills 365 days a year and not just 2 days a month. **The Reserve Officers Association recommends equity in special skill and incentive pay between the Reserve and Active components.**
- When offering an incentive for Reserve soldiers to re-enlist, they should be provided with an incentive that reflects the same standard as their Active component counterparts. Recently it was announced that Active component soldiers were being offered bonuses of from $5,000 to $10,000 for reenlistments from 3 to 6 years. Under current law Reserve component soldiers are only entitled to $2,500 to $5,000. **The Reserve Officers Association recommends equity in reenlistment bonuses between the Reserve and Active components.**
- Age 55 Retirement is being addressed by a number of members of both the House and the Senate. The Reserve Officers Association supports this concept as a key retention tool
- The Montgomery GI Bill has been one of the most significant incentives for recruiting outstanding young people into the Guard and Reserve. Based on their service in the Global War of Terrorism both at home and abroad, today's military Reservists deserve enhancements to their eligibility under the MGIB for Selected Reserves. Those enhancement include:
    - Beginning eligibility when the service member elects to use the program for the first time
    - Reducing the obligation period from 6 years in the SELRES to 4 years as well as 4 years in the IRR. This is comparable to the Active component program requiring a 3-year obligation
    - Stipulating that RC personnel can use their education benefits while mobilized
    - Requiring tuition fee refund provisions for RC personnel who expenses cannot complete the semester/school term due to recall to active duty
    - Adjusting interest rates on federal student loans when the market rate drops below 6%

- In the Rebalancing and Transformation process, equipment issues are of great concern. Although this would seem to fall in the areas of Operations and Maintenance or procurement, it too has a significant impact on personnel. In FY04, procurement for the Reserve components as a percentage of the DoD procurement budget is at its second lowest in recorded history at 3.19%. This comes even after a congressional adds of $400 million for NGREA. Meanwhile, procurement for the Active component continues to realize consistent real growth from FY98 through FY09 of 108.6%. In the past, the use of "cascading" equipment from the Active to the Reserve components has, in some cases been a reliable source of serviceable equipment. However, with the changes in roles and missions that have placed a preponderance of combat support and combat service support in the Reserve components, there has not been much left to cascade. Also, funding levels, rising costs, lack of replacement parts for older equipment, etc., has made it difficult for the Reserve components to maintain their aging equipment, not to mention modernize and recapitalize to support a viable legacy force.

Continuing reductions in the National Guard and Reserve Equipment Authorization, have made funding required to maintain and replace existing equipment that that is lost through combat, fair wear and tear, or obsolescence virtually non-existent. Without equipment, soldiers cannot train. If they cannot train, they leave the force. **The Reserve Officers Association encourages Congress to reinvigorate the NGREA so these critical equipment needs can be met.**

PERSONAL AND FAMILY ISSUES.

- As previously mentioned TRICARE for the Selected Reserve, certain members of the IRR and their families is a key recruiting and retention factor. The Reserve Officers Association feels that even though the Army recruits soldiers, it retains families. A TRICARE program that complements or replaces a civilian employers' program would provide balance with the Active Component.
- Since the beginning of the mobilizations for the Global War On Terrorism, there have been numerous problems with pay and allowances for mobilized soldiers. There is a significant amount of anecdotal evidence to support that it has been a major problem. In one case 100% of one mobilized Army Guard unit's personnel had pay problems. **The Reserve Officers Association encourages all efforts to resolve systemic problems in the pay system that are affecting Reserve Component soldiers and their families.**
- The Reserve Officers Association supports efforts to improve the medical holdover situations that have occurred at several installations recently. The Reserve Officers Association applauds the Department of Defense for taking quick action to resolve the immediate issues. However, the long-term concerns over inadequate facilities at some installations, shortage of medical personnel, perceived inequities between Active component and Reserve component treatment as well as long wait times for treatment and evaluation must be addressed comprehensively in light of continued mobilizations for the foreseeable future and increased reliance on the Guard and Reserve.
- The Basic Allowance for Housing needs to be made the same for all Reserve soldiers, regardless of the length of their mobilization. To say that a soldier deserves less of a housing allowance strictly on the basis of mobilization period of less than 20 weeks is unfair to the soldier and his or her family. **The Reserve**

Officers Association supports a uniform Basic Allowance for Housing at the BAH I level for all mobilized soldiers, regardless of length of tour.

- Family Programs are a critical to Reserve Component soldiers and their families. Active component soldiers and families, for the most part, live in close communities on military installations where it is possible to maintain a bond between the soldiers, their families, and their units. Many Reserve soldiers do not even live in the same communities as their units. Keeping families informed and supported can be difficult, particularly in more rural areas. In FY 2004, the Army Reserve's family programs suffered a $3.9 shortfall from a requirement of $7.5 million. In FY 2005 this shortfall is $5.6 million. **The Reserve Officers Association recommends full funding of the $15.4 million requirement for Army Reserve Family Programs in order to provide essential services to soldiers and their families as well as to facilitate the Army Reserve's ability to adequately prepare soldiers for deployments and help families to become self-reliant.**

CRITICAL FUNDING REQUIRMENTS. The Army Reserve faces critical funding shortfalls in eight key areas. The shortfalls come in the Pay and Allowances account totaling $348.4 million and the Operations and Maintenance accounts totaling $180 million.

- Of these requirement shortfalls, the most critical is $281 million in Inactive Duty Training, which will prohibit the Army Reserve from meeting its peacetime statutory requirement for 48 drills. Even though there is some cost avoidance due to mobilizations, it will not reach the level required to successfully conduct the critical training that soldiers need for individual and unit readiness. Based on current estimates, the Army Reserve would be forced to cease training by late Spring or early Summer of 2005.
- Shortfalls in Family Programs have already been covered in this testimony but it should be emphasized again that the $5.6 million shortfall in this area directly affects soldiers and their family's ability to prepare for and function during mobilization.
- In the area of Professional Development, the Army Reserve is funded at only slightly more than 50% of its $148.6 requirement. These funds are needed to meet the Chief of Staff of the Army's established goal of 85% in military specialty training and professional development. The Chief, Army Reserve briefed the Senate Armed Services Committee that this goal would be achieved by the end of FY 2005. This shortfall will cause the Army Reserve not to meet the 85% goal.
- There are insufficient resources to fund the Army Reserve's portion of the DoD integrated worldwide common-user network for exchanging secure and non-secure data. The funding shortfall of just over $33 million is crucial to meet the challenges of expanding key command and control applications and service demands, increase security requirements and increase network capability to insure needed connectivity.
- Army Reserve Base Operations required funding is $73.5 million short of its $355.4 million requirement or 74%. In order to provide a viable program which includes such critical items as civilian pay, leases, utilities, and custodial contracts, it is imperative that BASOPS be funded at least at the 95% level to insure that those BASOPS items which require 100% funding can be met.
- Antiterrorism, Force Protections, and Installation Preparedness for the Army Reserve minimum essential funding level of $67.6 million is under funded by

46%. This funding is critical to the Army Reserve meeting mandated DoD requirements and maintaining minimum Force Protection standards for Army Reserve facilities worldwide. As Active Component bases are prepared to meet increased threats, Reserve Component facilities, which are located in thousands of local communities, become a lucrative target for those that consider military capability as a criminal or terrorist target.

- Army Reserve environmental program that are a "must fund" are unfunded by $33.4 million or 44%. As a result, legally mandated requirements and the requirements of executive orders will not be met. There are legal consequences that could possibly restrict use on training lands at Army Reserve installations such as Forts Dix, McCoy, Hunter Liggett, Parks Reserve Forces Training Area, and the C. E. Kelly Support Center as well as at the Army Reserve Regional Readiness Commands and their subordinate organizations located across the country.
- The Army Reserve Defense Health Program Accrual is funded at 98% of the $680 million requirement. However, the $7.1 million shortfall is the result of DoD actuarial studies that establish accrual rates based on "full-time" and "part time" personnel. The accrual rates for FY 2005 increased considerably in both categories. Analysis indicates that the rate change will leave the Army Reserve with this critical shortfall. This is an item of considerable congressional interest and, the rate change creates a significant effect on all three military services.

UNRESOURCED EQUIPMENT AND MODERNIZATION REQUIREMENTS. The Army Reserve's list of unresourced equipment requirements closely mirrors the FY 2004 list. However, it is important, in the light of on-going operations with equipment losses due to combat, fair wear and tear, and needed modernized equipment to meet mission requirements, that a number of these unresourced requirements are enumerated.

	SHORTFALL	FY 2005 BUY
Light Medium Tactical	1,845	600
Medium Tactical Vehicles	7,161	800
Movement Tracking Systems	9,463	2,075
All Terrain Lift System (Atlas)	173	100
HMMWV (Plain)	3,833	600
HMMWV (Up Armored)	898	100
Night Vision Image System	22,797	7,000
Tactical Fire Fighting Truck	62	10

These are just part of a long list of equipment that are needed by our Army Reserve units to perform their wartime mission for the Total Force. Although the sum total of these requirements is considerable, the rebalancing of the forces between Active and Reserve components will likely produce effects on the Total Force. And, as mentioned earlier, the lack of resources in the NGREA will make it difficult to make up and critical shortfalls that occur in the short term.

MILITARY CONSTRUCTION. The FY 2005 request for Military Construction projects is just over $87 million and covers a broad spectrum including land acquisition, ranges, organizational maintenance shops, and equipment parks. The locations are in communities across the United States and will be of interest to the members of Congress in their respective states and districts.

NAVAL RESERVE

MANNING LEVELS:

Since September 11th, 2001, the Naval Reserve has recalled approximately 22,000 Selected Naval Reservists to support the War on Terrorism.

At a luncheon on February 12, 2004, Secretary of the Navy Gordon R. England when asked about the Naval Reserve, Secretary England responded that only about 20 thousand Naval Reservists have been called up out of about 86 thousand. He questioned why we have so many if we are not using them. "The Naval Reserve will likely become smaller." England said.

The force size of the USNR needs to be measured on more than just a snap shot in time. Secretary of Defense has suggested that Reservists rotate on and off active duty, spending 1 year out of six on recall. If you take last years recall of 12,000 Naval Reserves per year time six years that is 72,000 Naval Reservists that are needed to support active duty.

This means current numbers are close. FY-04 authorization is 85,900. Reduce this by the 14,384 Reservist authorized as Active duty support and the resulting number equals 71,516. Yet, the FY-05 Presidential budget has asked for a reduction of 2,500 from the above.

Currently the Navy is doing a "Zero Base Review" (ZBR) matching up Reserve Billets to Active Duty Requirements. Indications are that ZBR will not be completed until 2007.

Operational Support Scorecard as of 3/3/04:

Selected Reserves

Authorized End-Strength	71,516
On Active Duty (MOB)	2,425
Presidential Reserve Call-up (PRC)	53
Active Duty for Special Work (ADSW)	850
Annual Training (AT)	2,825
Active Duty for Training (ADT)	1,094
Inactive Duty Training (IDT)	+2,467
Total SELRES Operational Support	9,714

The Pentagon reports only the 2,425; the rest of the picture is that as of this week 14% of the USNR Drilling Force is directly supporting Active Duty.

Full Time Support

Authorized End-Strength:	14,384
USNR HQ & NRC Staffs	2,959
USN Staffs	+234
USNR: Operational	4,759
USN: Operational	5,753
Total Full Time Staff Operational support	10,512
Percentage of FTS providing Operational Support	74%

Reservists in Support of the USN – 20,226
Percentage of Total Reserve Force – 24%

Naval Reserve support to the fleet continued at more than two million workdays last year. There is a need for outside review on how the USN is utilizing its Reservists, and where money is being spent.

Position: ROA recommends that additional cuts to the USNR be frozen, until at least FY2008, allowing the ZBR to be completed.

RECALLED PERSONNEL:

"From our transport squadrons to many other functions, especially watchstanding in all the fleets, we have Reservists – probably 20 percent of the force – every week supporting the fleet around the world. And that's our vision – support the fleet, ready and fully integrated," VADM John G. Cotton, Chief of Naval Reserve.

In support of the troop rotation ongoing in Iraq, the Navy could mobilize as many as 4,000 Reservists says Admiral Cotton. Included in the current mobilization is a Naval Reserve Construction Battalion, and units encompassed Navy Cargo Handling Battalions and a Navy Supply Support Battalion of the Naval Expeditionary Logistics Support Force (NAVELSF), and Deployable Ammunition Handling Teams and Deployable Ammunition Reporting Teams of Atlantic Ordnance Command (AOC). Certain of these latter units will be relieving Army personnel in Kuwait.

The majority of these Naval Reservists have been recalled individually based on specific skills. Contributions include significant numbers of law enforcement officers and security specialists. Entire units of the Naval Coastal Warfare commands were activated. Medical, supply, intelligence and other specialties are been heavily tasked. Naval Reserve pilots are keeping the flow of men and materiel flowing to the theater of operations.

Like the other armed services great numbers of volunteers have stepped forward in support of the War on Terrorism. "In every facet of the global war on terrorism, Naval Reservists were and are filling the gaps – exactly what the active component wants us to do," ADM Cotton has said.

RECRUITING:

Chief of Naval Reserve retention figures: 102% Enlisted; 99% Officers

This past year has reflected a change in Naval Reserve recruiting.

The first change was the consolidation of both Active and Reserve recruiting.

The second major change was a reemphasis on recruiting Navy Veterans versus non-prior service (NPS). While NPS men and women are as patriotic toward serving as any other group, the difficulty faced by the Navy was the 84 days of training prior to allowing the personnel group to be deployed overseas. The Navy changed it's quota criteria reemphasizing veteran recruiting and the number of veterans entering the Naval Reserve has increased, saving training dollars and increasing readiness.

The Navy will continue to recruit in certain specialty skills such as medical and construction, but will also recruit individuals who can attend the Navy boot camp accruing a large portion of the 84 day minimum.

Four thousand Reservists return to active duty every year.

EQUIPMENT MODERNIZATION:

Over the past years, much of the progress made in improving the readiness and capability of Naval Reserve units has been the direct result of congressional action--to designate new equipment for the Naval Reserve in the National Guard and Reserve Equipment Appropriation (NGREA) and to earmark funding for the Naval Reserve in the traditional procurement appropriations.

Accordingly, ROA has identified unfunded FY04 Naval Reserve equipment requirements for consideration by Congress for addition to the administration's request for fiscal year 2005, in either the NGREA or as earmarked additions to the Navy's traditional non-funded list.

NAVAL RESERVE EQUIPMENT:

Total Naval Reserve equipment procurement has steadily declined from $260M in FY97 to about $35M in FY02, with NGREA and congressional add-ons virtually disappearing and P1R equipment shrinking precipitously. Congress recognized the problem and increase NGREA funding for to $400,000 in $ FY04. As a result of the War on Terrorism, and the ongoing support by Naval Reservist to Active Duty Commands, ROA feels that this upward trend must continue.

NAVAL RESERVE FY05 EQUIPMENT NEEDS UNFUNDED EQUIPMENT REQUIREMENT

	Cost	Quantity
C-40A Transport Aircraft	$130.0M	2
NWC and NCF Tactical Trucks	$ 36.0M	
NAVELSF Comm Equipment	$ 13.0M	
MH-60 Helicopter	$66.0M	2
F/A-18 AT-FLIR targeting pods	$16.0M	6

C-130T Avionics Modernization Program	$40.0M	
F/A-18 A+block 2 Mod, Radar upgrades	$53.0M	10
F/A-18 A+CATM/Capitive Carry Assets	$ 3.0M	
LittoralSurveillanceSys./Joint Fires Network	$30.0M	1
F/A-18 Armament Equipment	$ 8.0M	
F-5 Block Upgrade	$ 10.0M	
E2C Navigation Upgrade	$ 16.0M	6

As the number one priority of the Naval Reserve, the Boeing C-40A "Clipper" transport aircraft is of vital importance to fleet logistics as the Naval Reserve provides 100 percent of the Navy's organic lift capability, and direct logistics support for Combat Area Commanders in all operating theaters.

The Navy has contracted for seven C-40A's and six have been delivered. One is included in the FY-05 FTYP, but one aircraft per year is inadequate to recapitalize the current C-9 fleet. The balance of the Naval Reserve's requirement is for an additional 20 C-40s; any prolonged procurement could risk re-engineered production, which will vastly increase the unit costs, support equipment, and training facilities.

Commercial aircraft are replaced every 7 to 8 years, yet the average age of the Naval Reserve's C-9 fleet is approximately 27 years. Obsolescence is being reached because of deficiencies in the avionics suite, power plant, and the aging of the airframe. In particular, the existing avionics suite does not meet future known International Civil Aviation Organization and Federal Aviation Administration requirements for international navigation, and environmental and noise abatement requirements.

Similar problems face the NR C-130 fleet which is the tactical logistic support flown by the Naval Reserve in support of the fleet. Current avionics, GPS and communications equipment do not meet European standards and may soon be precluded from flying into European airfields. C-130 and C-9 aircraft could reduce operational latitude reducing Navy flexibility if investments aren't made into these upgrades..

Aviation assets need to be upgraded to match the aircraft being flown on Active duty if Reservists are expected to fly complimentary missions. These enhanced capabilities are required to operate in any real-world air campaign. This modernization effort will enhance the compatibility between Active and Reserve F/A-18, making them interoperable with fleet carrier and air wing operations.

F-5s are adversarial aircraft flown by USNR to train USN and USNR pilots for air-to-air combat. While airpower may not have been contested over Iraq, the next war could have air resistance. These upgrades are needed to optimize fighter pilot training.

Equipment modernization is the most critical priority for the Naval Reserve.

Position: ROA strongly urges the Congress to provide $421 million to support the vital and continuing Naval Reserve unfunded equipment needs in FY05.
HOMELAND DEFENSE:

The Naval Reserve is an unsung contributor to Homeland Defense. While the Active Navy was concerned with forward deployment, the away game; the Naval Reserve has been working with the US Coast Guard on home field advantage. Until recently, the

entire responsibility for coastal defense, subsurface, surface and air, rested with the Naval Reserve, partnering with the United States Coast Guard Reserve. So successful were the USNR in developing the harbor and coastal defense units that the Regular fleet wants to transfer some of these assets to the Active duty.

Naval Reserve MIUW units have created the professional standards that have lead to new Littoral Surveillance Systems. This new Joint Fire Network can be support by Reserve personnel and is need in the major ports on the Atlantic, Pacific and Gulf coasts.

A new mission arises which has been called Maritime NORAD. Risk, and frequency of threat don't warrant manning this with full time active duty personnel. This seems to be a mission suitable for a joint USCG and Naval Reserve Team. The Air Force has been successful with Air Guard and Reserve personnel running key command posts for NORAD. The USNR can be expected to excel at the same.

CONCLUSION

The Naval Reserve's top five Issues continue to be manpower, training, equipment and systems compatibility, force shaping and fleet support. Nevertheless, substantial unfunded requirements continue to slow progress toward complete force integration with the Fleet.

The issue of fleet contributory support versus surge training requirements continues to pull Naval Reserve personnel policies and operations in two different, not wholly compatible, directions. Highly trained, motivated and experienced Naval Reserve personnel should not be lost to the Naval Reserve Force while the nation girds for the long-haul in the war on terrorism.

Position: ROA strongly urges the Congress to increase Naval Reserve end-strength back to 85,900 to support the increased requirements imposed by the War on Terrorism for the foreseeable future.

MARINE CORPS RESERVE

Over 48% of the Marine Corps Reservists have been mobilized, over 19,000 members. Marine Reservists are in every theater of the war on terrorism. They are in Iraq, Afghanistan, and Guantanamo Bay, Cuba.

Every Marine is first and foremost a Marine and a rifleman. With the rotation of troops, over 3000 marines will be part of the 25 thousand Marines being sent over in the Spring. In the fall another 3500 Marines will be joining the relieving Marines arriving seven months latter.

There are 172,600 Marines in the Active component and 39,558 in the Selected Marine Corps Reserve (SMCR). The mobilization has provided access to the 60,000 Marines in the Individual Ready Reserve. As an integral part of the Total Force, Reserve Marines augment and reinforce the Active Component by executing the spectrum of missions assigned to the Corps in times of war and peace. Of particular note, more than 98% of Marine Corps Reserve units are assigned to active duty forces in support of the Marine Corps' commitment to joint operations plans.

Accordingly, all operational units of the SMCR have been assigned to a unified combatant commander and apportioned to each CINC for major theater war operational plans. The Marine Corps Reserve contributes approximately one-fourth of the force structure and one-third of the trained manpower of the Marine Corps. Specifically, Marine Reservists comprise all of the adversary squadrons, air naval gunfire liaison companies (ANGLICO) and civil affairs groups, one-half of the tank battalions, and one-third of the artillery and low altitude air defense battalions.

The actions in Southwest Asia have caused the US Navy and US Marine Corps to work even more closely than ever before. Throughout the history of our nation, the Marine Corps has been in close partnership with the United States Navy.

This is also the case with Naval Reserve augmentation to Marine Reserve units. Naval Reserve Corpsmen were activated when their infantry platoon were called up in early November 2001. Also, for the first time, the Navy-Marine Corps team activated the Medical Augmentation Program, which provides active duty navy personnel to support certain Marine Reserve units.

The U.S. Navy will continue to directly support the Marine Force Reserve by providing over 2,700 medical, dental, religious, and naval gunfire support staff as it returns to Iraq. The Marine Corps Reserve of today is on call and utilized every day. The Marine Corps Reserve has doubled its average contribution of 150,000 workdays per year to over 300,000 workdays in recent years. Initiatives like this provide tremendous relief in operational tempo for the Active component.

Position: ROA urges the Congress to maintain the authorized Selected Marine Corps Reserve end-strength at 39,600 (including 2,261 Active Reservists) in order to ensure the Marine Corps capability to be the first expeditionary American force to meet and defeat the enemy anywhere in the world.

FUNDING SHORTFALLS:

The request to support the Marine Corps Reserve appears to be under funded in the Operation and Maintenance, Marine Corps Reserve (O&MMCR) and Reserve Personnel, Marine Corps (RPMC) appropriations. Maintaining the necessary funding to pay, educate, and train our Marine Reservists, and to enable the units of the Marine Forces Reserve to conduct appropriate training and operations is the vital first step to combat readiness and sustainability.

Additional O&MMCR funds are needed for initial issue of equipment, replenishment and replacement of equipment, exercise support, and organizational and depot maintenance. Only by equally equipping and maintaining both the Active and Reserve forces will Total Force integration be truly seamless. Foremost is the maintenance of aging equipment.

The Marine Corps Reserve armored vehicles' age, coupled with increased use, contributes to this requirement. The Initial Issue Program also continues to be a top priority. This program provides Reserve Marines with the same modern field clothing and personal equipment issued to their Regular Marine counterparts.

Since the attacks of 9/11 and the subsequent anthrax attacks, a review of Marine stores of NBC (nuclear, biological and chemical) protective clothing revealed a major shortfall in adequacy due to obsolescence and expiration of shelf lives. Other O&MMCR maintenance requirements address depot maintenance backlogs and extend equipment life through corrosion control. Adequate funding of these requirements will enhance readiness and facilitate participation in exercises and OPTEMPO relief.

EQUIPMENT MODERNIZATION:

Modern equipment continues to be critical to the readiness and capability of the Marine Corps Reserve. Although the Marine Corps attempts to implement fully the single acquisition objective philosophy throughout the Marine Corps Total Force (Active and Reserve), there are some unfilled Reserve equipment requirements that have not been met because of funding shortfalls.

To achieve the readiness necessary to quickly mobilize and augment the Active Marine Forces in time of national emergency, Marine Forces Reserve units must be equipped in the same manner as their Active force counterparts.

The top modernization requirement of Marine Corps Reserve continues to be Engineering Change Proposal 583 (ECP-583), which will make its F/A-18A aircraft compatible with the F/A 18 Cs utilized by the Active force. As part of a complete modernization to achieve complete Force interoperability and support compatibility, this initiative will upgrade the aircraft to state of the art avionics and weapons systems.

A safe and consistent fielding of the V-22 Osprey tilt rotor flight system is critical to the future readiness of Marine Corps aviation. Reserve CH-46Es will not be replaced for at least another 10 years at the current planned production rate. Further, until the V-22 is fielded to the Reserve, the Marine Corps Reserve will not be able to take full advantage of the skills of V-22-trained Marines who separate from the Active forces. The increasing cost of CH-46E maintenance and this potential loss of V-22 expertise can be avoided by earlier fielding of the V-22 across the Total Force.

MARINE CORPS RESERVE FY03 UNFUNDED EQUIPMENT NEEDS

(AVIATION EQUIPMENT funded through Aircraft Procurement Navy appropriation)

F/A-18A ECP-583 (12 USMCR aircraft)	$ 70.0M
CH-53E Helicopter FLIR	$ 45.0M
NBC & Initial Equipment Issue (Reserves)	$ 7.3M
KC-130 Upgrades	$ 10.5M
CH-53E Upgrades $3.3M	$ 38.0M
CH-53E Aircrew Procedure Trainer (APT) Flight Simulator	$ 12.8M
AH-1W Aircrew Procedures Trainer (APT) Flight Simulator	$ 10.0M
Supplemental Aviation Spares Package	$ 7.0M

Position: ROA recommends that the Congress authorize and appropriate $193.6 million for these critical unfunded Marine Corps Reserve equipment priorities.

AIR FORCE RESERVE

The Air Force Reserve continues to be significant partners in the Total Force effort to support Operation Iraq Freedom and Operation Noble Eagle in Afghanistan.

Mobilizations as of 23 Jan 04

Total Mobilizations	27,422
Total Mobilized > 1 Year	7,269
Total Demobilized To Date	18,340
Total Currently Mobilized	9,082
Current Mobilized > 1 Year	2,010

Operation Iraq Freedom Contributions

B-52 - 33% of crews - LITENING II pod - Strategic Attack & CAS	**C-5** - 50% of AF crews	**KC-10** - 25% of AF crews
E-3 - 20% of crews - Airborne Warning & Control	**C-17** - 45% of AF crews - Combat Airdrop - Operating into Iraq Airfields	**KC-135** - 25% of AF crews
F-16 - Volunteers for AEF - CAS, Counter Air, & Scud hunting - LITENING II pod - SADL	**C-130** - 15% of AF crews - Tactical Airlift - NVG Cockpit Lighting & Crew Qualification	**HH-60** - 33% of AF crews - Combat Rescue
A-10 - LITENING II pod - Trained within 3 weeks - CAS	**C-141C** - 40 AC (90% of C-141s) - Aeromedical Evac Msn - Repatriate POWs	**HC-130** - 33% of AF crews - Combat Rescue
Aeromedical Evacuation - Movement of patients out of combat theater - 45% of Air Force capability within AFRC - 1700 patient moves (450 urgent)		**MC-130** - 62% of AF crews - Special Ops

Future Challenges

Future Challenges

- Recruiting: Incentives and Pay Equity
- Retention: Incentives and Pay Equity
- Differentiating AFRC Capabilities: What AFRC Brings To The Table
- Modernizing Current Equipment: Relevant and Interoperable
- Transforming Existing Operations: "Everything" Must Be On The Table
- Competing in Dollar Constrained Environment: Personnel Costs versus Modernization Costs
- BRAC:

Reenlistment Bonus Period of Eligibility for Selected Reserve
The command is experiencing a dip in retention rates despite stop/loss and mobilization, which acts like a defacto stop loss. Historical levels: Officer 92% and Enlisted 85%

FY03 PERCENTS	
Officer	88.7
Enlisted 1stTerm	83.3
Enlisted 2nd Term	76.0
Enlisted Career	87.8
Overall	85.5

- Title 37, United States Code (USC), section 308b establishes reenlistment bonus eligibility for a member of a Reserve component who is not serving as an Active Guard and Reserve member (as defined in 10 USC 101(d)(6)) as referenced in section 308 with the primary requirement for eligibility and payment of a bonus upon reenlistment is that the member must have completed less than 14 years of total military service. Increasing the eligibility for reenlistment bonuses to 20 years of total military service and increasing the number of bonuses that can be paid under this section could expand the available force pool, as mid-level enlisted reserve members could take advantage of the new bonus criteria. Using a 20 year service cutoff instead of a 14 year period would encourage selected experienced mid-level subject matter experts to reenlist to established high year of tenure or mandatory separation dates; should members accept this incentive and reenlist, it could boost each service's retention effort in critical skill areas.

MGIB-SR Enhancements
The mobilization has identified problems with using the Reserve education benefit while mobilized. We are also seeing a renewed interest in using education benefits from mobilized Reservists as they come back to a civilian career where they have fallen behind their peers and a world changed by the experience in Iraq. This is all leading to a renewed interest and need to take advantage of education opportunities.

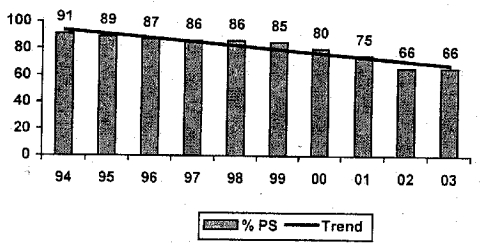
- Begin eligibility period when military member elects to use the program upon their first application to use the education benefit
- Reduce the obligation period from 6 years in the Selected Reserve to 4 years in the Selected Reserve and 4 years in the Individual Ready Reserve. This change will ensure all service personnel have the opportunity to qualify for the education benefit. This compares to the active duty's program of requiring 3 years of service obligation.

- Stipulate that Reserve Component personnel can use their education benefits while mobilized.
- Reduce interest rate to below 6% for Federally Guaranteed Student Loans when the market rate drops

VSI/SSB Recoupment

There is a recruiting pool available from active duty that would bring experience to the Reserve Component but current policies do not provide an incentive for either joining or staying in the Guard or Reserve. These individuals were released from active duty during the downsizing of the 1990s and given an incentive separation pay.

Prior Service Downward Trend in AFR Accession Rates



- Change the recoupment from a formula based on active duty and reserve points to no more than 50 percent of the retired pay each month. Modification of the recoupment provision will eliminate a disincentive for former active duty members to serve additional Reserve service and allow Services to access personnel already possessing military skills, experience, and training. This is a no cost proposal. Repayment periods are extended to allow service members to repay their gross amount of separation pay received while still allowing the member to receive a reasonable amount of retirement each month. However, the full amount of separation or severance pay received is paid back in its entirety. Payback is not subject to interest accrual and not contingent upon a specific payback period.

IDT Point Limit Removal

Currently Reserve Component members are capped on the number of earned IDT points they can keep towards retirement. This is tantamount to telling an active duty member they will only be paid for 11 months out of 12 for their retirement.

- Eliminate the limitation on the number of IDT points creditable towards eligibility for a Reserve Component retirement with the cap that all points received in a year cannot exceed 365. Since 1990 and following Operation Desert Storm the operations and personnel tempo has continued to increase, yet the need for completion of operational and professional training requirements is still necessary. The training requirements training for aircrew members are: 48 IDT periods; 48 Additional Flying Training Periods (AFTP); 24 Additional Ground Training Periods (AGTP), for a total of 120 points. Additional IDT points are awarded for the completion of PME courses. However, IDT points earned for completion of PME courses often results in the typical RC member exceeding the limit of 90 IDT points.

Inactive Duty Status Authority to Compensate for Virtual Duty (Telecommuting)
One of the strengths of the IMA program is their experience when applied to projects. This would best be accomplished if they had the flexibility to perform inactive duty by telecommuting.

- Technology enables members to perform work away from the traditional worksite—telecommuting. This authority would work well with Inactive Duty Training by enabling work or projects to be completed that require periods of work that are not consecutive. Amend section 206 of title 37, United States Code, to authorize compensation for a Reserve component member performing duty authorized by the appropriate military authority whether under direct military control or performing assigned duties in a virtual environment.

AIRCRAFT PROCUREMENT:

C-5: Fund Part A and Part B installation of C-5A Airlift Defensive Systems of $83M for 32 aircraft to provide a greater degree of survivability to both aircraft and aircrew and promote common operational utility between active duty and reserve forces. Restore procurement of C-5 Avionics Modernization Program (AMP) kits cut in FY04 and those needed in FY05 for 60 kits.

The nation has a shortage of strategic airlift and modernization of C-5s represents the most cost effective solution to meet this requirement. The Air Force has only funded 49 AMP kits which leaves the Reserve Components uncovered. Different configurations between AD and the Reserve undermines air mobility operations by hindering the ability to interfly crews and aircraft during contingencies, increases training burdens, and complicates logistics management.

C-9A: Designate C-9 aircraft with the primary mission of aero-medical support and allow those aircraft to support VIP/SAM, OSA, Team Travel and other mission support areas during low demand times and to support increasing the C-9 fleet at Scott AFB with three C-9Cs from Andrews Air Force Base, Maryland when they retire their aircraft in FY2005.

In FY04 three C-9s were kept in inventory at Scott Air Force Base (AFB), Illinois to support the aero-medical mission. The Air Force plan calls for the aero-medical mission to use whatever aircraft is available in the inventory and to no longer dedicate any aircraft to that mission. From a business plan perspective that makes sense but it begins to breakdown in practical application. The Air Force has already stated they are short of airlift capability and the tankers they were going to use to enhance their airlift capability has not worked because of the demand on their primary mission of refueling. There is no evidence this will not happen to the aero-medical mission. If the United States is in a situation that requires airlift of patients, it will most likely be in a position of needing to use every available airlift to transport troops and equipment.

The C-9A will need to be replaced and the Air Force currently does not have any plans for replacement aircraft. Until replacements can be included in the POM cycle C-9Cs could be used as a bridge. The C-9Cs could be used to bring the unit to a more robust

fleet, which would allow back-up aircraft and would allow the C-9As to start to retire as new replacement aircraft are brought into the inventory.

C-17: Increase procurement of C-17 Globemaster III aircraft by at least 42 additional aircraft at a rate of 15 to 18 aircraft per year, which will ensure an adequate airlift force in the future; and program new production C-17 aircraft into the AFR.

With Homeland Security requirements emerging, the C-17, with its outsize, short field capability, is ideally suited both at home and abroad for movement of humanitarian equipment, disaster relief, WMD-CST support and its ability to transport large FEMA vans and associated equipment. Major shortfalls continue to exist in Total Force airlift capability, especially in the responsive delivery of both heavy and light forces to meet rapid deployment requirements, and the case for improved mobility and flexibility, provided by the C-17, is stronger than ever.

C-40C: Increase procurement of C-40 aircraft by at least six additional aircraft to ensure an adequate special mission airlift force for the AFR by at least two C-40s per year for three years.

Air Mobility Command's programmed force structure, based on the C-9 retirement schedule, does not include any additional aircraft for the AFR. Additionally, the appropriate number of Operational Support Aircraft (OSA) does not exist to sufficiently meet increasing Congressional Delegation, Combatant Commander, or team travel requests.

C-130J: Authorize and appropriate funds for the C-130J Multiyear Procurement in FY05 and accelerate acquisition for Reserve units at Pennsylvania, Minnesota, and Mississippi.

AFRC C-130E aircraft are reaching the end of their economic service life and must soon be replaced. The Air Mobility Command has selected the C-130J to replace these 40+ year old aircraft for active, Reserve and Guard units. The Reserve Units at Willow Grove, PA and Minneapolis-St Paul, MN operate some of the oldest C-130Es in the Air Force Inventory but are not scheduled for modernization until 2014.

OTHER EQUIPMENT

LITENING PODS: Support $7.8M to procure 5 LITENING Pods towards the multiyear procurement of 30 pods for $43.8M.

AFRC A/OA-10 aircraft require precision attack capability and Laser Spot Track to fulfill warfighting requirements and participate fully in Air Expeditionary Forces, Operation Iraqi Freedom and Operation Enduring Freedom.

APN-241 Radar: Support $7M to procure 8 APN-241 Radar upgrades.

The APN-241is a low power, all weather, color radar and is capable of meeting USAF safety, navigation and aerial delivery requirements and will provide windshear detection

capability, which has been mandated by the SECDEF. It is currently on the shelf and ready for installation without further engineering requirements.

AFR F-16 Helmet Mounted Cuing System: Support $9.0M to procure approximately 40 night vision goggles towards the multiyear procurement of 80 for $20.6M.

Funds F-16 Block 25/30/32 to stay viable for employment in modern combat using precision guided munitions, and operating against modern threat aircraft equipped with helmet cued weapons. Current and future precision guided munitions require sophisticated communications between the aircraft and weapon prior to and in some cases after weapons launch.

Information Technology: Support $2.5M towards a total requirement of $54.7M.
Funds are needed to maintain an absolute bare minimum, high risk, eight-year replacement cycle of network infrastructure and equipment.

Pararescue Jumper Equipment: Support $0.7M towards a total requirement of $9.1M.
Funds mandatory equipment procurement for necessary equipment to accomplish the mission.

Vehicle Requirements. Support $2.0M towards a total requirement of $10.6M.
Funds vehicles to replace current fleet of aging/unsupportable vehicles.

Pathfinder Force Protection. Support $9.0M towards a total requirement of $55.5M.
Funds service contracts, fencing and computers, sensors, ground radar etc., at reserve bases to improve base protection.

Motor Vehicles for Medical. Support $2.8M to procure 44 vehicles.
Funds High Mobility Multipurpose Vehicles (HMMVs).

Hydrant Fueling Trucks. Support $1.4M to procure 9 vehicles.
Funds hydrant fueling trucks for Air Force Reserve bases.

HEALTHCARE

The War on Terror is being described as multi-generational by the leadership in the Pentagon. It will be a protracted engagement, which overwhelms the resources of the Active Services. To compliment the Active duty forces, the Guard and Reserve (G-R) have accepted the task of warrior on several fronts. Thirty seven percent of our Guard and Reserve Forces have already been called up to do battle.

We acknowledge the support that your committee has been providing to the young men and women who are deployed overseas, and stationed at home. We also believe that comprehensive care of the dependents of these young warriors allow the members of our armed services to better concentrate on their jobs.

Health care readiness is the number one problem in mobilizing Reservists. Most Reserve Component (RC) members shoulder the cost of their personal medical readiness. Because of the high cost of medical care, many G-R members do not carry healthcare coverage. The governments own studies show that between 20-25 percent of Guardsmen and Reservists are uninsured.

With a growing percentage of Reserve Component members being recalled to multiple deployments, post-deployment health care is becoming as important as pre-deployment readiness.

MOBILIZATION READINESS

While Active Duty members serve 24/7; G-R members are on call 24/7; and thus are expected to meet the same physical and medical standards as their active duty complements. G-R access to Military Treatment Facilities (MTF) and fitness centers is restricted. While physicals and dental exams are given during weekend drills, RC service members must seek remedies to problems in the civilian sector. With the Pentagon placing more emphasis on rapid deployment, more readiness requirements will be shifted from pre-deployment to mobilization readiness, increasing the G-R members' burden.

Dental readiness.

Reserve Component members are required on their own, to maintain a certain level of dental readiness, classification T-2, to be ready for mobilization. Classification T-2 dental readiness means no emergency dental work is required for at least six months.

The Naval Reserve gives an annual examination. If a Reservist is graded as less than a T-2 classification and the individual doesn't make corrections, they may be found to be physically non-qualified and could be removed from a pay status.

The Air Force Reserve is like the Navy in that it requires a yearly exam and if the Reservist doesn't meet these requirements he or she can lose drill time.

The Marine Corps Reserve gives an annual exam, and when they mobilize they get a complete screening.

The Army Reserve doesn't give dental exams. A Reservist's teeth are counted during the five-year exam. In the past, panoramic full mouth x-rays have been given, for post-mortem identity purposes.

The Army National Guard is on a five-year medical and dental schedule similar to the Army Reserve.

Currently, DoD offers a voluntary TRICARE dental program to G-R members and their families to enable dental readiness. This contract provider is United Concordia and is similar to most civilian programs. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis.

A monthly enrollment charge is shared 60 percent by the government and 40 percent by G-R member, approximately $8.14 per month. This is the same cost provided Active Duty family members, as AC members are provided dental coverage at MTFs. G-R members pay 100% of the premiums for family members. Restorative care costs are 20 to 50 percent with an annual maximum payout cap for services of $1,200 per enrollee per year.

Physical readiness.

The Air Force Reserve requires a full physical examination every five years, with a modified physical exam annually. A physical fitness exam and measurement is run once a year. Body fitness is measured by tape, and physical fitness is measured against a series of exercise and a mile and a half run. If the Reservist doesn't take the physical or fails to meet physical standards they are given a period of time to comply. Failure of either can place the Reservist in a no pay/no drill status.

The Air National Guard has the same physical readiness standards as the Air Force Reserve.

The Marine Corps Reserve gives a physical examination every five years with an annual medical screening update. Above age 50, a physical exam is required every two years. A physical fitness exam and measurement is run every six months. The individual's weight is measured against a standard, and if outside this standard, a body fat measurement is taken. Physical fitness is measured by performance against a series of exercises, and a three mile timed run.

The Naval Reserve gives a physical examination every five years with an annual medical certification. Above age 50, a physical exam is required every other year; above age 60 every year. A physical fitness exam and measurement is run every six months. The individual's weight is measured against a standard, and if outside this standard, a body fat measurement is taken. Physical Fitness is measured by performance against four exercises: stretch, sit-ups, push-ups, and a mile and a half timed run. One hour of Physical Training is permitted as part of the training schedule per month. "Inability to comply with body fat standards and Physical Readiness Test (PRT) requirements not only negatively affect an individual's health, but are conditions for likely removal from active Reserve service." COMNAVRESFOR INSTRUCTION 6110.2A

The Army Reserve requires a complete physical examination every five years. In addition, a physical fitness test is conducted every six months. Individual performance is measured against three exercises: sit-ups, push-ups, and a two mile timed run. Alternative exams are provided for certain individuals with physical conditions (profiles) that prohibit the standard exam. Two consecutive failures result in administrative separation. Weight control outside the mandatory standards requires a measurement of body fat as an additional way to measure to standard. Failure to meet appropriate standards within a one-year period is grounds for administrative separation.

Pilots from all service comply with active duty standards and receive annual examinations.

DoD does not sponsor any healthcare program. The individual Reservist provides medical coverage. Active Duty members do not pay for medical treatment, Reserve Component members must subsidize their own to maintain standards. This is not parity.

Position: ROA urges Congress to explore means to expand health care coverage to G-R members.

Section 702 of the FY04 National Defense Authorization Act authorized expanded TRICARE coverage for unemployed and uninsured RC members. At the time of publication of this testimony, the TRICARE coverage was not implemented, and the deadline for its end is 31 December 2004.

Position: If not made permanent, TRICARE for Reservists should be viewed, as a demonstration project, and the program deadline should be extended to properly test the program participation and cost.

Inoculations

To keep G-R members ready for mobilization, inoculations should be updated annually. Anthrax, smallpox and other vaccines have a risk of side affects. Members can be impacted several days or weeks after inoculation.

Position: ROA would like Reserve Component members to have access to Military Treatment Facilities or compensation for civilian health care if complications occur following inoculations received on drill weekends. Should serious complications arise, the member should be placed on active duty for the duration of the treatment

PRE-DEPLOYMENT READINESS.

Within a Cold War scenario, war planners felt they had one to three months to prepare G-R personnel for deployment. Several months have been reduced to several weeks, if not days. During the initial mobilization for Operation Iraqi Freedom, the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many reservists getting only days notice before call-up.

Thankfully, Congress responded by passing legislation that allows DoD to provide medical and dental screening for G-R members who are assigned to a unit that has been alerted for mobilization in support of an operational mission, contingency operation, national emergency, or war. Unfortunately, waiting for an alert to begin screening is too late.

Dental readiness.

The number one deployment problem is dental readiness.

United Concordia (UCC) has stated that the TRICARE Dental coverage is insufficient to correct a RC member that is classified as T-3 dental readiness to a T-2 classification, without exceeding the annual payout limitation of $1200.

National Guard Bureau has advised that mobilization stations were not equipped or staffed to handle the influx of G-R members to handle filings or capping of teeth.

It should also be acknowledged that G-R soldiers opted to have teeth pulled because of their dedication to service in order to meet deployment timetables with their units. Although promised restorative dental work, their reward for their loyalty and patriotism will be dentures.

This seems to be an issue of leadership, motivation and education. With regular checkups and preventative care, a RC member's teeth can be maintained at a T-2 classification. As the Guardsman or Reservist ages, and early fillings need to be replaced or capped, restorative care expenses may surpass insurance payment maximums, causing the RC member to either subsidize their dental readiness or drop to a T-3 classification. Because of the costs, some RC leadership is hesitant to direct their subordinate to take the TRICARE Dental or seek corrective treatment. Currently, only five percent of eligible members are enrolled.

Medical readiness.

Pre-deployment medical screenings were being done at mobilization sites. A large number of Guard and Reserve personnel are overwhelming an administrative location, causing the medical personnel to give quick, rather than through examinations. Despite this, a number of non-physically qualified (NPQ) have been screened out. Unfortunately, small groups of NPQ have been deployed, and their ailments weren't caught until in the area of responsibility.

In addition, often time's examinations are repeated from station to station. This duplication adds to the costs. Pre-mobilization screening has become an assembly line of quick fixes.

A physical examination should be as far ahead as possible, and at the earliest stage in the screening process. Why waste taxpayers' dollars to deploy folks who are not medically ready. We should invest few travel dollars before we discover physical problems.

Physical screening checkup should be done annually with blood and urine samples for conditions that could affect a G-R member's ability to mobilize. A more extensive

physical with screening for heart, lung or cancer problems could be given every third year. Testing costs have come down.

Dental and Medical professionals are part of the RC cadre. Examination, preventative, and restorative care are as much training for these professionals, as it would be readiness to the G-R member. Medical readiness should not require an alert, but be part of the 24/7 mobilization ready mentality.

Position: Congress should expand medical and dental screening to include all units or individual subject to mobilization, and permit treatment by G-R medical professionals that allows the individual G-R member to meet deployment standards.

Physical Baseline:

Between biological and chemical adversarial threats, and exposure to friendly chemicals used as insecticides or in maintenance or cleaning, service members are exposed to potent chemical cocktails that could negatively impact their health. A baseline is needed to be able to measure changes in a service member's health.

Position: At a minimum, a blood sample needs to be taken to help provide a baseline for chemical exposure.

Prescriptions.

Mobilization policy requires a Reservist to bring a 90-day supply of a prescription. Many civilian healthcare plans will only pay for a 30-day supply, causing the member to pay out of pocket for the additional 60-days.

Position: TRICARE standard should refill an existing prescription for mobilized Guardsmen and Reservists.

POST-DEPLOYMENT READINESS

Guard and Reserve face problems when returning from deployment. Too frequently, they are given a choice of a medical screening questionnaire versus a physical examination. The backlog for exams is a deterrent as it adds weeks to the scheduled return home. Physical problems that might have been acquired in the line of duty often aren't identified before demobilization.

If problems arise, complications can occur in identifying the line of duty connection. In addition, G-R members have found themselves unemployable, and paying for healthcare treatment out-of-pocket as the military service does a medical review.

Without the service accepting responsibility for physical problems, there is often a dispute over responsibility for treatment with the service suggesting the G-R member go to a VA hospital for treatment instead.

Healthy G-R members can also be penalized in post-deployment.

Dental Readiness: When deployed overseas, dental hygiene and dental diagnostic and preventative care is difficult to maintain. To offset this, DoD policy has been to provide an examination screening and repair for deployed military members returning the individual to a classification T-2 dental status. If post-deployment Reserve Component members are not provided with these exams, corrective coverage is only allowed at a Military Treatment Facility for 30 days in a space available status after deactivation. The RC members have a lower priority than Active Duty family members, who historically have difficulty getting dental treatment.

This policy is inadequate. As stated earlier, TRICARE Dental is inadequate to cover restorative repair costs from a T-3 classification to a T-2 status. This forces the G-R member to pay out-of-pocket expenses to become mobilization ready.

Position: **ROA feels is that it is incumbent upon DoD to return post-deployment RC members to a classification T-2 dental readiness status. If MTF access is not available, then DoD should subsidize TRICARE Dental coverage for a period of 180 days to permit repairs.**

Medical Readiness: ROA is thankful that Congress included Section 704 in FY-04 NDAA, Temporary Extension of Transitional Healthcare Benefits, which changed the period of transitional health care benefit to 180 days for those G-R members discharged after November 6th. Unfortunately, this benefit is yet in place with G-R members being advised by the TRICARE Management Agency (TMA) to save their receipts for medical services and prescriptions.

A COMMITMENT TO GUARD AND RESERVE HEALTH CARE

In 1997 Congress directed a study and report on ways of improving Reserve component health care and force health protection in Section 746 of the National Defense Authorization Act (NDAA) for Fiscal Year 1997. At the end of a three-year effort the study, "Means of Improving the Provision of Uniform and Consistent Medical and Dental Care to Members of the Reserve Component" was sent to Congress with 14 recommendations. The study found, "To function in this more demanding, post-Cold War environment, National Guard and Reserve members must meet the same standards for physical condition and readiness as their Active counterparts.

ROA believes the military standards for physical condition creates a contract between both the Department of Defense and the military member. When a person joins the military, it is impressed upon them the requirement to maintain physical fitness and not to recklessly endanger their physical well-being. Physical fitness standards are a screening factor on job performance and promotion. Reckless endangerment of physical well-being is viewed as a violation on the Military Code of Justice. In exchange for this understanding the Armed Services provide fitness centers and Morale Welfare and Recreation (MWR) facilities for its active duty members to help them fulfill these standards.

The military person also understands the Department of Defense wants the military person to maintain a certain level of health and so they provide a medical program administered under TRICARE that ensures their standards are met.

Unfortunately, TRICARE is only extended to Active Duty and not Guardsmen and Reservists, even though G-R personnel are required to meet and maintain the same physical and health standards. The Reservists are expected to pay for their own health club and medical coverage while in civilian status.

Health insurance coverage varies widely for members of the G-R: some have coverage through private employers, others through the Federal government, and still others have no coverage. Reserve families with employer-based health insurance must, to maintain physician continuity, pick up the full cost of premiums during an extended activation.

Although TRICARE Standard eligibility starts immediately upon receipt of notice of pending 30+ day orders, many G-R families would prefer continued access to their own health insurance rather than being forced to find a new provider who accepts TRICARE. In other cases, disruption (and in some cases cancellation) of private sector coverage as a consequence of extended activation under TRICARE adversely affects family morale and military readiness, and discourages some from reenlisting.

One major factor for this state of medical readiness is that the financial burden of medical care is placed on the back of Reservists themselves. While Active Duty members are treated at military treatment facilities, Guardsmen and Reservists must invest their own money on health programs. While an Active retiree may pay $460 per year for family TRICARE Prime, a reservist may be paying as much if not more per month for personal insurance.

CONTINUITY OF MEDICAL COVERAGE:

As this conflict is expected to be long term, and Reserve Component (RC) members are expected to be "called-up" multiple times, the importance of a continuity of health care becomes increasingly important and should be emphasized, as it will impact both the individual RC member and his/her family. If a warrior is worrying about his or her family while in the field, the costs to the U.S. Military will be more than just healthcare coverage. Timely access to health care during this national crisis for family members of activated Reservists and members of the National Guard is a must.

Two Suggestions: Access to TRICARE on a cost-share basis, or premium cost-share for civilian health plans upon activation.

Option 1: Expanded TRICARE access. Drilling G-R service members would pay an annual cost-share premium for TRICARE coverage. With activation of 30 or more days, and the government would assume all of the cost as it would for Active duty members. Coverage could be for the G-R member alone or, with a higher premium, family coverage.

The TRICARE access option is consistent with the DoD's "seamless, integrated total force policy," as it would open TRICARE to G-R families and eliminates a "structural barrier" inhibiting true integration of the total force. TRICARE access also would support transitional health care coverage before and after extended activation and is likely to have a positive impact on service member and family medical readiness as well as retention.

Inclusion of Guardsmen and Reservists in TRICARE will have a return in recruiting and retention numbers. We believe families would better support a career in the Reserve Component if Healthcare is provided as a benefit; a spouse would make the reservist think twice about losing this benefit before quitting the Guard or Reserve.

Costs: a recent GAO report (GAO-02-829, Defense Health Care, Sept. 2002 hereafter, GAO Rpt) estimated that DoD's cost would be $7 billion over 5 years if reservists paid a premium similar to that paid by active duty retirees under age 65 (TRICARE Prime).

Option Two: Payment of Premiums for Employer or Personal Health Insurance. Guard and Reserve family members are eligible for TRICARE if the member's orders to active duty are for more than thirty days; but some families would prefer to preserve the continuity of their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients.

Following activation, DoD could contribute a premium payment that is not to exceed its TRICARE contribution. Payments could be direct deposit to the employer or employer's heath care insurer. The G-R member's family would be able to continue with the employer health insurance without disruption, and the administering by DoD would be simply to cut a check.

Healthcare is a key benefit. ROA surveyed the Fortune 500 employers, and found that if any benefit was provided it is healthcare continuation first. This shows how important it is. If our patriotic employers recognize this, so should DoD.

Position: ROA urges Congress to permanently establish the current TRICARE program for Selected Reserve on a cost share basis.

The Pentagon is transforming the roles of the Guardsmen and Reservists. They see a future where a Reservist may be called upon to serve the needs of a Service component. They want to make it easier to bring a Reservist on Active Duty, and later return him or her to Reserve Status.

They are calling this the Continuum of Service.

DoD also seeks a fighting force that is immediate and adaptive. If the call-up for Iraq is reflective, the Pentagon is expecting instant warriors. Under the cold war model a Guardsman or Reservist might have 45 to 90 days before call-up, for Iraq some were mobilized in hours rather than months.

This has caused medical readiness problems. Medical and dental standards that are tolerated for a drilling reservist are not acceptable to pass the pre-mobilization screening of the Active Duty.

If DoD wants a Continuum of Service, they should be willing to create a Continuity of Health care for Guardsmen and Reservists in exchange.

CONCLUSION

We at One Constitution Avenue look forward to working with all members of ROA and with other military support associations to ensure that the 2004 legislative cycle produces changes that further National Defense and strengthen our Reserve components.

Statement of
Ms. Lani Burnett
Executive Director
Reserve Enlisted Association of the United States

for the

Personnel Subcommittee
Senate Armed Services Committee
United States Senate

FY05 National Defense Authorization Act
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On behalf of the members of the Reserve Enlisted Association from each of the armed services, I thank you for the opportunity to present the association's views and concerns relating to the Reserve components and the National Defense Authorization Act for FY05. The Reserve Enlisted Association's mission is to be an advocate for the 750,000 enlisted men and women of the United States Military Reserve Components in support of National Security and Homeland Defense, with emphasis on the readiness, training, and quality of life issues affecting their welfare and that of their families and survivors. Our membership consists of enlisted Reservists from the Army, Navy, Air Force, Marine Corps and Coast Guard that are currently drilling, retired, or were once enlisted and have now received warrants and commissions. The enlisted amount to 85% of the total end strength of the Selected Reserves, with most of these personnel located in the mid-grade ranks of E4 and E5.

First, I would like to thank you for you're past support of the Reserve components. By consistently promoting Reserve component programs, you have contributed directly to morale and to the high state of Reserve component readiness. Without your past support, the Reserve components could never have responded as they did in Operations Desert Shield/Desert Storm and subsequent contingencies, including Operations Joint Endeavor, Uphold Democracy, Northern Watch, Joint Guard, Southern Watch, Joint Forge, more recently, Noble Eagle, Enduring Freedom, Iraqi Freedom and now the ongoing rebuilding of that nation.

INTRODUCTION

As I write this many of our nations young enlisted reservists are saying good bye to their loved ones preparing to take part in one of the largest troop rotation in Unites States history. Currently there are 190,000 reservists on duty in the Middle East and around the world. Since September 11, 2001 more than 60% of the Army National Guard and 43% of the Army Reserve have been called up. Add to this the call up of the Coast Guard Reserve, Air Force Reserve, Air National Guard, Naval Reserve and the Marine Corps Reserve and there have been over 350,000 mobilized reservists. The frequency of these large mobilizations has placed increased strain on Reservists. Careers and education must be put on hold as these men and women go off to defend our nation. The expectation placed on those that enlist and reenlist in the reserve components has changed and so to the benefits must change to be commensurate with their service.

TRICARE for Reserve Components

The FY 2004 National Defense Authorization Act authorized a one-year test program to extend premium-based TRICARE coverage to Selected Reserve members (and certain members of the IRR subject to presidential recall) that aren't eligible for employer-sponsored health coverage. The Department of Defense has announced that this program will begin but with no set start date. The same act authorizes premium-free TRICARE coverage for all mobilized guard and reserve members effective upon receipt of mobilization orders (vs. the date entered active duty). It also extends TRICARE coverage for six months following release from active duty. The temporarily TRICARE program when finally placed into effect will provide healthcare to many of our young enlisted reservists. It is estimated that 20% of Reservists don't have health insurance; this means up to 150,000 enlisted reserve personnel and their families could be without health insurance. This has a potential devastating effect on the lives of our reservists and the readiness of our reserve components. Lack of continuity of care during mobilization creates a disincentive for reenlistment. In addition all military members are expected to maintain the same health and physical fitness as active duty yet are required to fund their own medical coverage.

> ***REA urges Congress to make the current temporary program permanent and extend it to allow all Selected Reserve members and certain IRR member's access to premium-based TRICARE coverage when they are not on active duty. In addition, these members should have the option of having the government pay some share of any employer-provided health coverage during periods of recall to active service.***

MGIB-SR Enhancements

In today's reserves 7.8% of the enlisted have Bachelors degree or higher. This makes the Montgomery G.I. Bill for Selective Reserves (MGIB-SR) one of the most important recruiting and retention tools open to the reserves. With a massive demobilization about to begin the reserve forces are expected to have retention shortfalls unless the government can provide incentives that would counter the negative effects of having placed a college education in abeyance. This benefit has a two-fold advantage given that the education that a reservist receives while either in a university or a trade school enhances both the reservist's career and their usefulness to the military.

REA sees three areas of low cost improvements that can be made to the MGIB-SR:

1. ***Clarify the law so that reservists remain eligible while mobilized.***
2. ***Lower the eligibility years from six to four.***
3. ***Enact legislation that would allow a reservist that is mobilized for a year or more to be eligible for the active duty Montgomery G.I. Bill.***

Reduce Retirement Age Eligibility for Reservists

When established in 1948, the reserve retirement system was intended to supplement a normal civilian career promotion and retirement program. For the next four decades, the National Guard and Reserve were called up infrequently and only for short tours of duty. In the main, Guard and Reserve forces were seen as held in reserve for a rare national emergency. The new model for the reserve forces is longer and more frequent activations. With this the inequity between the active duty retirement and the reserve forces retirement becomes more apparent. Frequent mobilizations can add to the amount of time a reservists must work in their civilian career before they can safely retire. As part of the Total Force a reservist is asked to carry a large portion of burden of national defense yet is given less consideration in the retirement system.

REA supports all legislation that improves and updates the current Reserve retirement rules. Our ultimate goal is a non-mandated age 55 retirements for reservists that does not include a penalty for taking the earlier retirement and includes an extension of TRICARE benefits.

CONCLUSION

We at the Reserve Enlisted Association stand ready to work with this body and other military support associations to improve readiness, training, and quality of life issues affecting 750,000 enlisted men and women of the United States Military Reserve Components' welfare and that of their families and survivors

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR LINDSAY O. GRAHAM

DEFENSE HEALTH CARE

1. Senator GRAHAM. Secretary Abell and Dr. Winkenwerder, according to the April 2003 General Accounting Office (GAO) report titled "Defense Health Care: Army Needs to Assess the Health Status of All Early Deploying Reservists," in the group studied, none of the required annual medical certificates were completed by reservists and reviewed by units, and a significant number studied had not undergone either the required 2-year physical exams or the 5-year physical. Accordingly, the Army does not have health information on many early-deploying reservists. GAO recommended, and the Department of Defense (DOD) concurred, that the Secretary of Defense should ensure that early-deploying reservists complete all of the aforementioned exams and certifications. What has the Army done to correct this untenable situation that directly affects operational readiness?

Secretary ABELL and Dr. WINKENWERDER. To address the findings contained in the GAO report, the Army recently established a task force comprised of personnel from both the Army Reserve and Army National Guard to address issues related to medical/dental readiness and take corrective action as recommended by the GAO. This will include the timely completion of the annual health certificate; assessment of medical/dental screening and treatment to include the correction of identified deficiencies; leadership accountability for individual medical readiness indicators; and assessment of deployability and retain ability standards as they relate to medical and dental readiness.

Currently, the Army medical and personnel tracking systems reflect a 90 percent compliance with the 5-year physical requirement for Reserve personnel. Further improvement is expected in the area of required physical exams based on the rec-

ommendations of the Army Task Force. Automation of the annual medical certificate has been initiated and full implementation is expected by October 2004. It will also be tied into MEDPROS (the Army's medical readiness tracking system used to document compliance with DOD standards) in order to ensure accurate and timely tracking of the annual certification requirement. As this tracking system is Web-based and records when physicals are given and due, greater utilization of MEDPROS will enable unit commanders to be more effective in the management of the medical and dental readiness of their personnel. This will improve the compliance of all medical and dental exams when they are required.

Both the Army National Guard and the Army Reserve increased funding in 2004 to support medical and dental readiness and physical examinations. Finally, the authority provided under section 701 of the National Defense Authorization Act (NDAA) for Fiscal Year 2004 will help all Reserve components improve the medical and dental readiness of their forces. The overall result will be greater effectiveness in the administration and compliance of physical exams, thereby improving operational readiness.

RESERVE COMPONENT RETENTION

2. Senator GRAHAM. Secretary Abell and Dr. Winkenwerder, according to General James Helmly, head of the Army Reserve, "This is the first extended-duration war our Nation has fought with an all-volunteer force. We must be sensitive to that. We must apply proactive, preventive measures to prevent a recruiting-retention crisis." Could you please comment on what "proactive, preventive measures" might be used to stem the expected Reserve component retention crisis?

Secretary ABELL and Dr. WINKENWERDER. We are acutely aware that the Reserve components are being called upon now more than they have in the past, and we are concerned about the impact of this increased use on our ability to meet our future human resource requirements. We continue to conduct periodic surveys of Reserve component members to monitor their intentions with respect to continued participation in the Guard and Reserve. We are currently achieving our strength objectives, but we remain vigilant about future enlistment and reenlistment behavior and trends.

In our efforts to strengthen Reserve recruiting and retention, the DOD is exploring opportunities to improve the quality of life for our members. We have stepped up our family and employer support programs, and we monitor employer- and family-related issues and concerns for potential serious problems. Every Reserve component member returning from a mobilization of more than 3 months is exempt from involuntarily attending a unit drill for 60 days or a 2-week annual training for the remainder of the training year. In addition, every returning member who has been affected by stop loss is given a 90-day "cool-down" period before they are separated from the Service. During these periods, support is available from retention officers with whom the member can address any concerns and who will ensure that the member is aware of the benefits associated with the mobilization and the benefits of continued membership. Chaplains are available during this period to provide individual and family support as needed. In addition, we will continue to conduct member surveys to identify potential problems and issues of concern to members and their families.

We are considering a number of initiatives that are focused on limiting the personal turbulence for our Reserve component members. We want to streamline the mobilization and demobilization processes to minimize the stress on our personnel. We are working to establish policies that provide some level of confidence that we will not call them again for a set period of time. Career stability and predictability regarding mobilization are areas of great importance to our members. Based on feedback we have received from members returning from mobilization, we are not overly worried about attrition right now, but stress on the force may reach the breaking point if we involuntarily call them again soon. We are working to identify early warning indicators that will assist us in targeting enlistment and reenlistment incentives before problems become serious.

Also, we are actively engaged in examining our recruiting and retention incentives and the strength of our recruiter force and the support tools available to them to ensure that they support our human resource requirements.

QUESTIONS SUBMITTED BY SENATOR MARK PRYOR

PHARMACY PROGRAM

3. Senator PRYOR. Dr. Winkenwerder, how significant it is for the DOD to have Federal pricing of pharmaceuticals in the TRICARE retail pharmacy program?

Dr. WINKENWERDER. It is very significant. Federal pricing in the retail sector allows the DOD to apply the same cost basis currently available for military treatment facilities and the TRICARE mail-order pharmacy program. Federal pricing will provide significant cost avoidance, leverage DOD/Department of Veterans' Affairs (VA) joint pharmaceutical procurement strategies, and will enable the DOD to deliver pharmaceutical care within projected funding.

4. Senator PRYOR. Dr. Winkenwerder, I understand that you have this available in the military treatment facilities and also in the TRICARE mail order program. Can you elaborate on this further?

Dr. WINKENWERDER. The Veterans Health Care Act (VHCA) of 1992 established Federal ceiling prices (FCPs) of covered pharmaceuticals (reflecting a minimum 24 percent discount off non-Federal average manufacturing prices—"non-FAMP") procured by the four designated agencies covered in the act: Department of Veterans' Affairs (VA), DOD, Coast Guard, and the Public Health Service/Indian Health Service. The VA administers the VHCA discount program on behalf of the four specified agencies. Under the Federal Supply Schedule (FSS) program, the General Services Administration authorized the VA to award and manage schedule contracts with pharmaceutical companies, under which Federal agencies may obtain pharmaceuticals at prices associated with volume buying which, at times, may be lower than FCPs under VHCA. The DOD currently has access to FCP and FSS prices for pharmaceuticals used in military treatment facilities and the TRICARE Mail Order Pharmacy program through either direct purchases or procurements through a Defense Supply Center Philadelphia Prime Vendor.

5. Senator PRYOR. Dr. Winkenwerder, how do you expect this to improve beneficiary satisfaction and how will the DOD have the authority to do this in the retail sector?

Dr. WINKENWERDER. Beneficiary satisfaction with the pharmacy benefit will be greatly enhanced through implementation of the new TRICARE Retail Pharmacy (TRRx) program. Unlike today, the new retail program will provide a fully portable benefit with access to network pharmacies for members throughout the United States and not just in their home TRICARE region. It will provide a continuity of benefits across all regions, and through the development of the Uniform Formulary, will provide uniform availability of pharmaceuticals in our dispensing venues with the associated cost-shares.

It will also allow us to provide the retail pharmacy benefit in a more cost-effective manner by obtaining Federal prices in all of our venues. Federal prices have not been available to the DOD through retail pharmacies under the previous at-risk, TRICARE Managed Care Support Contracts (MCSC) because the VA determined the contracts were not structured to meet statutory requirements for an agency-controlled centralized commodity management system. At the time, the VA was concerned pharmaceuticals would not be traceable to the DOD, pharmaceutical payments were not made by the DOD, and there was no assurance that the DOD (not a contractor) would receive the benefit of Federal pricing. Federal pricing for the TRRx will help the DOD meet the challenges of providing the pharmacy benefit within authorized funding.

TRRx carves out retail pharmacy from the MCSCs, consolidates delivery of retail prescriptions under a single Pharmacy Benefits Manager (PBM) contract, and addresses the VA's previous concerns under VHCA. The PBM contractor will provide a retail pharmacy network and act as fiscal intermediary, upon TRICARE Management Activity authorization, to issue funds from a government account in payment for prescriptions dispensed to TRICARE beneficiaries. A government organization, the DOD Pharmacy Benefits Office (PBO), will use the robust reporting and audit capabilities of the Pharmacy Data Transaction Service (PDTS) to verify beneficiary eligibility, check for drug interactions, and authorize prescription payments. PDTS with complete accuracy will identify covered drugs eligible for Federal pricing. The PBO, using industry standard reports from PDTS, will provide manufacturers itemized data on covered drugs procured through TRICARE retail network pharmacies to obtain refunds on covered drugs eligible for Federal pricing. The PBM contractor has no role in the DOD's process for obtaining refunds for the government account based on Federal Prices already established by the VA and DOD. The

DOD's payment of the PBM contractor will not be related, directly or indirectly, to Federal pricing of pharmaceuticals dispensed to TRICARE beneficiaries by network pharmacies.

In lieu of the more traditional "brick and mortar" distribution systems for military treatment facilities and the TMOP program, the new TRICARE retail pharmacy program will leverage electronic data interchange technology as the foundation for a virtual depot commodity management system. This structure is both consistent with the VHCA and with congressional direction for a system-wide redesign of the DOD's integrated pharmacy benefits program. It meets the DOD goals to transcend archaic inefficient standards to technologically-superior systems with better controls and efficiencies.

6. Senator PRYOR. Dr. Winkenwerder, the TRICARE Senior Pharmacy Program is one of the best pharmacy benefits available in the United States to older Americans. The TRICARE Senior Pharmacy Program, provided by the NDAA for Fiscal Year 2001, authorizes eligible beneficiaries to obtain low-cost prescription medications from the TRICARE Mail Order Pharmacy (TMOP) and the TRICARE network and non-network civilian pharmacies. These beneficiaries may also continue to obtain medications through military hospital and clinic pharmacies. As you are aware, there is currently no charge for obtaining medications at military treatment facilities. Recently the DOD issued Program Budget Decision (PBD) 731 which seeks to increase TRICARE retiree cost shares for prescriptions and initiate retiree cost shares for prescriptions obtained in military treatment facilities. I understand the DOD recently withdrew this proposal. I have heard from numerous constituents expressing their concerns about this proposal. Could you please discuss the reasoning behind this proposal?

Dr. WINKENWERDER. I agree that the DOD Pharmacy benefit is one of the best available for both our Medicare eligible beneficiaries and for all DOD beneficiaries. Let me assure you that there have been no changes to the Department's pharmacy benefit co-payment structure in the fiscal year 2005 President's budget.

7. Senator PRYOR. Dr. Winkenwerder, is the DOD intending to re-introduce this PBD at a later time?

Dr. WINKENWERDER. The fiscal year 2006 program and budget review has not yet begun. There are no programmatic issues on the table at this time.

COLLABORATION BETWEEN THE DOD AND THE VA

8. Senator PRYOR. Dr. Winkenwerder, there has been a significant emphasis and interest in improving the collaboration between the DOD and the VA in order to provide seamless and top quality services to our Nation to provide quality health care to veterans and military retirees. As you are aware, in 2001 President Bush signed an executive order establishing a Presidential Task Force, to examine and recommend specific actions to improve the way the VA and DOD work together. Last May, the Task Force released its recommendations on improving collaboration between the two departments. As a result of these recommendations, I understand there has been emphasis on deploying a system to share enrollment and patient records data as well. I would appreciate it if you could provide some other specific examples of how the DOD is working to implement the Presidential Task Force's recommendations?

Dr. WINKENWERDER. The DOD strongly supported and was an active participant in the activities of the President's Task Force to Improve Health Care Delivery to Veterans to improve access to quality health care for veterans and military retirees through appropriate collaboration between the DOD and VA health care delivery systems.

The DOD concurred with the majority of recommendations put forth by the Task Force. The DOD continues to work closely with the VA toward a mutually beneficial, proactive Federal partnership that optimizes the use of resources and infrastructure to improve access to quality health care and increase the cost-effectiveness of each department's operations.

The Final Report of the Presidential Task Force was released in May 2003. The report focused on four major recommendations:

- The need for leadership, collaboration, and oversight;
- Providing a seamless transition to veteran status;
- Removing barriers to collaboration; and
- Timely access to health services and the mismatch between demand and funding.

The DOD concurred with the recommendations regarding the need for leadership, collaboration, and oversight of DOD/VA collaborative efforts. Since the Task Force released its final report, the DOD and VA signed a charter for the VA–DOD Joint Executive Council that will further institutionalize our collaboration. One of the first actions taken by this body was to approve a Joint Strategic Plan.

The DOD continues to support the recommendations to provide a seamless transition to veteran status. The development of interoperable and standards-based systems is a high priority and we are actively working towards achievement of this goal. The DOD and VA have incorporated similar objectives in our Joint Strategic Plan.

The DOD actively seeks to remove barriers to collaboration. Providing incentives to our medical leadership and promulgating policies and guidelines will enhance sharing. The DOD is working closely with the VA to implement the DOD/VA Health Care Sharing Incentive Fund to identify and provide funding for creative coordination and sharing initiatives at the facility, intra-regional and national levels. One of the goals of this fund is to increase access for both Departments' beneficiaries.

9. Senator PRYOR. Dr. Winkenwerder, do you have insight at all into the cost savings for the DOD associated with this increased collaboration with the VA?

Dr. WINKENWERDER. The Department is working diligently with the VA to implement the recommendations of the President's Task Force. Many of the Task Force's recommendations concern leadership collaboration and oversight which could lead to potential cost savings in the future. However, in the short term, both Departments will be incurring investment costs to implement demonstration projects and other collaborative efforts aimed at improving access and quality of care. Cost savings may occur in the future when new collaboration efforts are more fully implemented.

TRICARE

10. Senator PRYOR. Dr. Winkenwerder, what is the status of the next generation of TRICARE contracts?

Dr. WINKENWERDER. All contracts have been awarded as follows.

- TRICARE Dual Eligible Fiscal Intermediary Contract
  - Wisconsin Physicians Services Insurance Corporation
- Regional Managed Care Support Contracts
  - TriWest: West, Humana: South, HealthNet: North
- Retail Pharmacy
  - Express Scripts, Inc.
- Marketing and Education
  - CACI, Inc. (GSA Award) materials development
  - Intelligencer Printing (Printing and distribution)
- National Quality Monitoring Contract
  - Maximus, Inc
- Claims Audit Contract
  - Meridian Resource Corp., LLC

11. Senator PRYOR. Dr. Winkenwerder, when will these contracts be implemented?

Dr. WINKENWERDER. Transitions will be completely accomplished by November 2004. Rather than transition the entire nation at one time, the TRICARE Management Activity determined that it would be more effective to transition health care services within the current regions over a 6 month period from April to November as shown below.

Managed Care Support Contracts (MCSCs):	
TriWest HealthCare Alliance:	Region 11—June 1, 2004
	Regions 9/10/12—July 1, 2004
	Regions 7 & 8—October 1,2004
Health Net Federal Services:	Region 2/5—July 1, 2004
	Region 1—September 1, 2004
Humana Military Health Services:	Regions 3 & 4—August 1, 2004
	Region 6—November 1, 2004
TRICARE Dual-Eligible Fiscal Intermediary Contract (TDEFIC):	
Region 11:	April 1, 2004
Regions 2 & 5:	June 1, 2004

Remaining Regions transition concurrently with managed care transition as above.	
TRICARE Retail Pharmacy (TRRx):	
All regions:	June 1, 2004
Other Services:	
Claims Audit Services Contract:	March 1, 2004
National Quality Monitoring Contract:	April 1, 2004

All contract transitions are on schedule.

12. Senator PRYOR. Dr. Winkenwerder, one of the concerns expressed by beneficiary groups has been the transition to the new TRICARE contracts. How does DOD intend to have a seamless transition for health care coverage during the transition from old to new contracts?

Dr. WINKENWERDER. The TRICARE Management Activity (TMA) has set for itself the ambitious goal of ensuring uninterrupted health care services delivery for all beneficiaries throughout the transition process. To do this, TMA has established an oversight and management structure to ensure adequate planning, as well as the ability to quickly address any issues that might arise. Both incoming and outgoing contractors are required to provide and maintain detailed transition plans that are approved by the government and used as the basis of transition management.

Teams working directly with the incoming and outgoing contractors are led by either a Service 0–6 or a GS–15 level manager. These teams are comprised of TMA, TRICARE regional offices, lead agent and service members with in-depth knowledge of TRICARE and direct experience with the program at the local level. A senior TMA director has been assigned overall responsibility for contract transitions and a transition chief has been appointed with responsibility for all aspects of TRICARE transition. A management team comprised of all project officers, the transition director, and the program manager meets weekly to review the status of each project, coordinate efforts, and resolve issues. This process provides a mechanism to increase effectiveness through sharing lessons learned across projects. In addition, a high-level transition management team, including the TMA Deputy Director, the Deputy Surgeons General, and the senior TMA directors, receives a monthly briefing from project managers covering contract transitions, IT issues, finance, regional transition, and local support contracting. This oversight level ensures that top management is made quickly aware of any issues, and has the opportunity to intervene in a timely manner to ensure resolution.

Continuous access to health care has been addressed by identifying any instances where a beneficiary's current primary care manager (PCM) may not remain as part of the provider network, and developing procedures to inform beneficiaries and aligning them with a new PCM. Similarly, with loss of any specialty providers, the managed care contractors will work with the provider to complete any care in progress during transition.

To ensure complete readiness for beneficiary support during transitions, a Customer Support Summit was held in Denver on March 23–24, 2004, including all incoming and outgoing TRICARE health care contractors, Service representatives, and TMA Departments. Excellent cooperation among contractors has been experienced, and it is evident that all are working toward the goal of ensuring that beneficiaries continue to receive excellent health care services.

13. Senator PRYOR. Dr. Winkenwerder, how will you keep beneficiaries informed through the transition to the next generation of TRICARE contracts?

Dr. WINKENWERDER. Beneficiary notification started as soon as the first contract awards were made. The TMA uses all available means to reach beneficiaries, including direct mass mailings, news releases, Web-site postings, regional briefings, and informational bulletins placed at appropriate outlets such as the TRICARE Service Centers.

A Marketing and Education Committee (MEC) was established early in the process to oversee this critical aspect of contract transition. The MEC includes representatives of all health care contractors and the Services. A comprehensive suite of materials has been developed with a single look and feel to help beneficiaries understand that their benefit is not changing.

TMA has also solicited the support of beneficiary interest groups by meeting regularly with these stakeholders, obtaining their input on proposed beneficiary notification processes, and keeping them informed of plans and progress.

The TRICARE contractors have cooperated in developing scripts to use in training their staff, to ensure that a consistent message is delivered to beneficiaries, and that beneficiaries can obtain information and assistance at many entry points. Steps

have been taken to establish messages on all current phone lines to inform and redirect beneficiaries during transition. The TRICARE Information Service call center will also be prepared to assist with inquiries.

Each beneficiary household will receive direct notification of upcoming changes within the 60 day period before the start-work date of the new contractor in any region. All appropriate resources are in place to assist with any questions generated by these mailings.

14. Senator PRYOR. Dr. Winkenwerder, one of the concerns that I have heard frequently from my constituents is that low reimbursement rates are causing providers to refuse to accept TRICARE patients or reduce the number of TRICARE patients they will treat, which limits beneficiary access and choice. Can you address this?

Dr. WINKENWERDER. By law, TRICARE reimbursement rates are tied to Medicare rates. In medically underserved areas, either no providers exist and thus reimbursement levels are a non-issue or the single or very limited numbers of providers have made a business decision to exclude participation in any insurance or exclude participation in any insurance that reimburses less than their billed charge.

Nevertheless, TRICARE's networks have had an impact on controlling this problem. TRICARE currently receives over 100 million claims annually. Over 97 percent of these claims are submitted by providers who agree to accept the TRICARE reimbursement rate as payment in full. In fact, approximately 85 percent of all TRICARE claims are submitted by providers who have proudly joined the network rendering care to our warriors and their families.

The future, while made somewhat more difficult by the growing gap between Medicare payment levels and the reported provider cost of doing business, does not represent an insurmountable problem. In our new contracts, beginning June of this year, we have included significant positive and negative incentives to ensure that our contractors are adequately incentivized to ensure the adequacy of our networks. These new contracts also allow our contractors to offer providers incentives for joining our network and treating our military families. The DOD also has the authority to increase the Medicare equivalent reimbursement levels where access is severely impaired. While this is certainly not the preferred or even desired approach, it is one that is available when local providers refuse to treat those that serve their country.

In summary, TRICARE, in general, has been successful in recruiting providers to treat the defenders of this Nation. We believe that our new contract contains the incentives that will continue and improve upon this success for the next few years.

15. Senator PRYOR. Dr. Winkenwerder, in your written testimony, you mentioned that the "new Regional Directors have a key role in improving provider participation in TRICARE and in improving TRICARE Standard support." Can you elaborate on this further?

Dr. WINKENWERDER. Under the new TRICARE governance structure, the three TRICARE Regional Directors integrate local business plans into a single, regional business plan, monitor performance against the business plan, and manage the health and support services contracts for all eligible military health system beneficiaries in the region. As part of this regional responsibility for TRICARE, I have identified the TRICARE Regional Directors as the senior officials who will report to me for TRICARE Standard improvements, as required by section 723 of the NDAA for Fiscal Year 2004. These responsibilities include an advocacy role in seeking to maximize provider participation throughout the region, particularly in locations away from military facilities. Importantly, the new regional contracts include powerful financial incentives for maximizing customer satisfaction. The TRICARE Regional Director is the fee-determining official for the regional TRICARE contract, and thus is the official who decides how well the contractor has done in satisfying all beneficiaries—not just TRICARE Prime enrollees, but TRICARE Standard beneficiaries as well.

16. Senator PRYOR. Dr. Winkenwerder, in your written testimony, you mentioned that the DOD has initiated provider surveys and outreach assistance to better serve TRICARE Standard beneficiaries. What is the status of these surveys?

Dr. WINKENWERDER. Telephone surveys of civilian health care providers will be conducted in TRICARE market areas to determine how many health care providers are accepting new patients under TRICARE Standard in each market area. Telephone surveys will be conducted in at least 20 TRICARE market areas each fiscal year starting in fiscal year 2004 until all market areas have been surveyed.

In conjunction with our military beneficiary groups, the Health Affairs/TRICARE Management Activity (HA/TMA) has identified the six market areas that will be

surveyed first, has developed the survey instrument and sampling methodology and is currently waiting for Office of Management and Budget (OMB) approval and clearance before proceeding. HA/TMA expects to field the survey in mid-late April 2004 and have results by June 2004.

17. Senator PRYOR. Dr. Winkenwerder, how are these surveys disseminated to beneficiaries?

Dr. WINKENWERDER. The civilian provider surveys are targeted to civilian health care providers, not TRICARE beneficiaries. We are planning on disseminating the results of these surveys to our beneficiary groups with briefings and Web-based reports.

MILITARY IDENTIFICATION CARDS

18. Senator PRYOR. Dr. Winkenwerder, one of the recommendations of The Military Coalition is for the DOD to issue a permanent military identification card to the Uniformed Services family members and survivors who are age 65 and older. It is often difficult for this group of beneficiaries to renew their ID cards due to difficulty in actually getting to the military identification card facility. Is this something that the DOD is looking into?

Dr. WINKENWERDER. There are approximately 1.75 million people over the age of 65 who are eligible for entitlements/benefits that would necessitate the issuance of an identification card. A mail-in process has been established to allow for the renewal of ill cards to those that are unable to go to the military ill card facility for card issuance.

19. Senator PRYOR. Dr. Winkenwerder, will issuing a permanent ID card for these beneficiaries help in decreasing the issuance costs associated with this card, since the cards won't need to be re-issued at the 4-year expiration date (which is the case for all other beneficiaries)?

Dr. WINKENWERDER. An analysis of costs associated with the issuance of identification cards to this population determined that while the Services would save on the cost of the teslin cardstock and consumables, the cost savings to the infrastructure associated with the issuance of identification cards to this population would be negligible.

NON-COMBAT DISEASE OR INJURY

20. Senator PRYOR. Dr. Winkenwerder, in your written testimony, you mentioned that "for Operation Iraqi Freedom (OIF), the rate of non-combat disease or injury is lower than in any previous U.S. conflict." Can you elaborate further on this, to what factors do you attribute this to?

Dr. WINKENWERDER. The rate of disease and non-battle injury among U.S. forces during OIF has averaged approximately 4 visits to health care providers per 100 personnel per week (4 percent per week). This is below the rates of approximately 7 percent recorded during Operations Desert Shield/Desert Storm, 7 percent during Operation Joint Endeavor, and 8 percent during Operation Joint Guard.

One major contributing factor is the DOD's increased emphasis on assuring service members are healthy when they deploy through use of the pre-deployment health assessment. Another factor is the emphasis on environmental surveillance done in theater (pre-deployment, routine; and incident).

The fundamental Force Health Protection (FHP) approach is to anticipate all possible threats in the area of operations and to employ the complete ensemble of measures to prevent disease and injury in our force.

MENTAL HEALTH SERVICES FOR SERVICE MEMBERS RETURNING FROM IRAQ

21. Senator PRYOR. Dr. Winkenwerder, in your written testimony, you mentioned that the military services have a full range of mental health services available for deployed personnel. Can you elaborate further on these available services and how these are tailored to the operational environment?

Dr. WINKENWERDER. It is DOD policy that service members are screened for mental health problems before deployment. Current or past mental health problems are not automatically disqualifying for deployment. Each individual is evaluated before deployment and a decision on fitness is made based on a complete evaluation of the individual, the problem, the demands of the deployment, and the availability of appropriate care during the deployment. Mental health support services available

cover the spectrum from education and emotional support to psychiatric hospitalization.

- While deployed, service members are trained to recognize sources of stress and the symptoms of depression, including thoughts of suicide, in themselves and others. Mental health care is available in-theater to handle any mental health problems that might arise. This care is available through the military health care system from medics and corpsmen with individual units, through in-theater hospitals with psychiatrists and psychologists, to military hospitals in Europe and the United States to which mental health casualties can be sent via the air evacuation system. Army and Marine Corps divisions have mental health assets available to provide routine care or to respond to operational needs. The Army has Combat Stress Control units which are mobile far forward in the combat areas. They provide outreach education and training services and brief, far-forward treatment of combat stress reactions. The Air Force operates out of fixed facilities and assembles Critical Incident Stress Management teams on an as needed basis to meet operational requirements.
- Each Service has a Suicide Prevention Program in which chaplains, unit commanders, and individual service members are trained to recognize the signs of depression and suicidality in themselves or others and how to get help for the affected individual.
- Before returning home, service members are briefed on how to manage their reintegration into their families, including managing expectations, the importance of communication and the need to control alcohol use.
- During redeployment, service members are again screened for signs of mental health issues, including depression and Post Traumatic Stress Disorder (PTSD). If any problems are identified by the screening, the service members are referred for appropriate treatment and follow-up.
- After returning home, help for any mental health issues which may arise, including depression and PTSD, is available through the military health care system for active duty and retired service members, or through the VA for non-retired veterans.
- The DOD and VA have issued Clinical Practice Guidelines for "Post-Deployment Health Evaluation and Management" and "Post Traumatic Stress Disorder" to aid clinicians in providing optimal care for service members with deployment related problems.
- For families experiencing problems, help is available through their local family support center. Another resource is the Military OneSource Program, a 24-hour, 7-day-a-week, toll-free information and referral service available via telephone and the Internet to active duty soldiers, mobilized Reserve and National Guard, deployed civilians and their families. The OneSource Program provides information on matters ranging from everyday concerns to deployment and reintegration issues, and can provide referrals to the mental health care system.

HEALTH ASSESSMENT QUESTIONNAIRES

22. Senator PRYOR. Dr. Winkenwerder, can you discuss how the pre- and post-deployment questionnaires work?

Dr. WINKENWERDER. Based on the lessons learned from the Gulf War and subsequent deployments, the DOD implemented pre- and post-deployment health assessments in 1997 that help us monitor the health status of deploying service members. The Joint Staff and Health Affairs require these surveys in order to assess service members' health before and after deployments to assist military health care providers in identifying health concerns and providing medical care. The post-deployment health assessment was enhanced in May 2003. The paper assessment forms are maintained in the service member's permanent record and a copy is sent to the Army Medical Surveillance Activity where they are archived electronically. The Army is now collecting about 50 percent of the post-deployment health assessments electronically.

Prior to deploying, all service members are required to complete a DD Form 2795, Pre-Deployment Health Assessment. Annotated on the DD Form 2795 are a review of the individual's permanent medical record, an update of immunizations, validation of serum sample within the past 12 months, a pregnancy test, a TB skin test check, vision and hearing screening, and dental screening showing class 1 or 2 within the last year. A licensed health care provider then reviews the DD Form 2795 with the service member and determines if the individual is deployable. This proc-

ess ensures that the service member's health status is checked for changes since their last evaluation.

Redeploying personnel complete the DD Form 2796, Post-Deployment Health Assessment. This form includes specific queries about possible health-threatening occupational, environmental or psychological exposures during deployment. Each service member undergoes a face-to-face post-deployment health assessment with a licensed military health care provider. After reviewing the service member's responses to the questionnaire, the health care provider asks about health concerns or problems, annotates the form accordingly, and determines need for referrals for medical evaluation, testing or examination, as indicated. This personal assessment includes a review of the service member's physical, mental, and emotional well-being. About 20 percent of the returning forces are being referred for health concerns related to their deployment. This process applies to both the active and Reserve components. All post-deployment medical health assessments are placed in the service member's permanent medical records and are forwarded to our central electronic archive.

23. Senator PRYOR. Dr. Winkenwerder, I understand there is a pre-deployment questionnaire, DD Form 2795, which contains eight questions and the post-deployment questionnaire, DD Form 2796, which contains six questions. How does this self-reported questionnaire work?

Dr. WINKENWERDER. Based on the lessons learned from the Gulf War and subsequent deployments, the DOD implemented pre- and post-deployment health assessments in 1997 that help us monitor the health status of deploying service members. The post-deployment health assessment was enhanced in May 2003 and is now a four-page form with 18 numbered questions that require 65 to 74 responses from the service member. The paper assessment forms are maintained in the service member's permanent record and a copy is sent to the Army Medical Surveillance Activity where they are archived electronically.

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24. Senator PRYOR. Dr. Winkenwerder, how is the questionnaire disseminated to the service member?

Dr. WINKENWERDER. The pre- and post-deployment health assessments are given to Service members to complete at the time they perform their deployment or demobilization activities at their mobilization or demobilization centers. Medical personnel at these centers oversee the health assessment. The Army is doing about 50 percent of the health assessments electronically.

25. Senator PRYOR. Dr. Winkenwerder, how are you ensuring service members' compliance in completing the health assessments?

Dr. WINKENWERDER. The Services have each implemented quality assurance programs to ensure the program is being implemented in accordance with their policies. In January 2004, DOD implemented a deployment health medical records quality assurance program that monitors the Services' programs. The DOD program also conducts independent assessments of the completing of health assessments, docu-

menting vaccinations, and incorporating in-theater medical care records into the individual's permanent health records through installation visits.

26. Senator PRYOR. Dr. Winkenwerder, how is the DOD implementing a quality assurance program to track military personnel's pre- and post-deployment health assessments?

Dr. WINKENWERDER. The key elements for implementing the DOD quality assurance program include periodic reports on centralized pre- and post-deployment health assessments, periodic reports on service-specific deployment health quality assurance programs, and periodic visits to military installations to assess deployment health programs. It also includes an annual report on the DOD deployment health quality assurance program.

The Army Medical Surveillance Agency, which maintains centralized databases for deployment health assessments, provides the DOD Deployment Health Support Directorate with weekly reports on post-deployment health assessments and monthly reports on pre- and post-deployment health assessments. The post-deployment reports include data on service members' health status, medical problems, mental health and exposure concerns, blood samples, and referrals for post-deployment care. During the period January 2003 through 2004, over 90 percent of more than 330,000 redeploying service members have reported their health status as good, very good, or excellent.

The first quarterly deployment health quality assurance program reports from the Services were due to DOD by March 31, 2004. The reports will be Service-centric and will report what the Services are doing, the problems they are finding, and the improvements they are making. Preliminary indications are that the services' programs are increasingly robust and encompass routine reports as well as installation inspections and audits.

The DOD will conduct quarterly visits to military bases to evaluate the procedures for identifying deploying and redeploying personnel, the completion of pre- and post-deployment health assessments, and incorporation of theater-related health care into permanent medical records.

[Whereupon, at 4:59 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

WEDNESDAY, MARCH 31, 2004

U.S. SENATE,
SUBCOMMITTEE ON PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

ACTIVE AND RESERVE MILITARY AND CIVILIAN PERSONNEL PROGRAMS

The subcommittee met, pursuant to notice, at 9:39 a.m. in room SR–232A, Russell Senate Office Building, Senator Saxby Chambliss (chairman of the subcommittee) presiding.

Committee members present: Senators Chambliss, Dole, and Ben Nelson.

Majority staff members present: Scott W. Stucky, general counsel; Diana G. Tabler, professional staff member; and Richard F. Walsh, counsel.

Minority staff member present: Gerald J. Leeling, minority counsel.

Staff assistants present: Bridget E. Ward and Pendred K. Wilson.

Committee members' assistants present: Clyde A. Taylor IV, assistant to Senator Chambliss; Christine O. Hill, assistant to Senator Dole; Russell J. Thomasson, assistant to Senator Cornyn; and Eric Pierce, assistant to Senator Ben Nelson.

OPENING STATEMENT OF SENATOR SAXBY CHAMBLISS, CHAIRMAN

Senator CHAMBLISS. Good morning. I apologize. Even though you're in the Senate, family crises still happen. We're dealing with a son getting married, and my wife is trying to cope with this, and I'm trying to cope with my wife. [Laughter.]

Senator BEN NELSON. Senator, this will be much easier than that, I can assure you. [Laughter.]

Senator CHAMBLISS. Well, good morning. The subcommittee will come to order.

The subcommittee meets today to receive testimony on the National Guard and Reserve military and civilian personnel programs and review of the Defense Authorization Request for Fiscal Year 2005.

Earlier this month, we conducted subcommittee hearings at which Under Secretary Chu, Deputy Under Secretary Abell, Assist-

ant Secretary Winkenwerder, and the personnel chiefs of each of the Services provided an overview of the readiness posture of the Department of Defense (DOD), and key issues relating to the fiscal year 2005 budget. Not surprisingly, proposals affecting the Guard and Reserve were key aspects of their testimony, proposals such as increased health benefits under TRICARE, enhanced retirement and survivor benefits, and special pay and bonuses to assist in recruiting and retention. I anticipate that we will touch on some of those subjects today.

I want to underscore my admiration and respect for the Guard and Reserve Forces. Since coming to Congress in 1994, I have seen the Nation's reliance on the National Guard and Reserve grow dramatically through the draw-down following Operation Desert Storm, through the air campaign and peacekeeping operations in the Balkans, and, most dramatically, in the aftermath of the attacks of September 11, 2001. Operations Enduring Freedom (OEF), Noble Eagle (ONE), and Iraqi Freedom (OIF) have demonstrated that Guard and Reserve Forces are critically important to the national defense.

The threats our Nation faces today have resulted in critical, but necessary, reexamination of old ways of mobilizing the Reserve and employing the strength that it represents. It has demanded and resulted in transformational change. That is evident in the excellent written statements our witnesses submitted and the stories we read in the news every single day. The global war on terrorism is reshaping the Reserve component in ways that were not foreseen just 10 years ago. It's been my privilege, along with Senator Zell Miller, my colleague from Georgia, to establish the Senate Reserve Caucus to emphasize our determination to support you and your personnel in this all-important effort to make the Guard and Reserve full players in our national security. I thank our witnesses for their great service.

I also want to underscore that our first subcommittee hearing this year, on February 25, 2004, dealt with the subject of sexual assaults in the Armed Forces. We received assurances from Under Secretary Chu and the service vice chiefs that they are addressing this problem and are committed to taking the necessary steps to ensure that sexual assaults are prevented to the maximum extent possible. When they do occur, that appropriate responses are made, and resources provided to victims. I intend to question each of our witnesses today about their views on this effort.

Today, our focus is on the Reserve component and on the posture of the Guard and Reserve as we commence the second phase of OIF. We are eager to hear about the status of our Reserve component forces, their readiness to serve, the morale and contributions of guardsmen and reservists, and the recommendations of the witnesses about the legislative agenda for fiscal year 2005.

We're particularly interested in the status of families of deployed reservists and guardsmen, their access to services and support, and recommendations for increased assistance. As we all know, the families of deployed service members make many sacrifices and pay a special price while their loved ones are deployed in harm's way. I want to emphasize again today that our country has the best military force in the world, and that force includes members,

who, in addition to their regular careers and family obligations, have agreed, when called upon, to set aside their everyday lives and to serve their country as an integral part of our national defense. It is our obligation and responsibility to ensure that the transition to and from military service is the least disruptive possible. We must provide the support and quality-of-life programs that show our Guard and Reserve members that we will take care of them and their families.

We have three panels before us today. First, we'll hear from Thomas Hall, Assistant Secretary of Defense for Reserve Affairs.

Secretary Hall, welcome back. We're glad to have you this morning.

Mr. HALL. Thank you.

Senator CHAMBLISS. Our second panel will consist of the Chief of the National Guard Bureau and the Directors of the Army and Air National Guard. Our third panel will be comprised of the Chiefs of the Army, Navy, Marine Corps, and Air Force Reserve, and I will introduce those witnesses later, as they appear.

Before we hear from Secretary Hall, Senator Nelson, my good friend and colleague who is a great supporter of the Guard and the Reserve, as well as the Active Forces and whom I am always pleased to have sitting by my side and working side by side with, would like to speak. I'll turn to you for any comments you'd like to make.

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you, Mr. Chairman.

I want to thank you, in particular, for holding this very important hearing today. We have worked so very well together on so many issues, and the importance of this hearing today can't be overstated. I join you in welcoming our witnesses, both the civilian and military leadership responsible for our Guard and Reserve Forces.

As a matter of special privilege today, I'd like to recognize two National Guard soldiers who are with us today. Specialist Jeremy Long, from the 105th MP Company of the New York Army National Guard is here with us today. Specialist Long was wounded in action by an improvised explosive device (IED) that resulted in the death of his driver. Specialist Long is in a medical hold status at Fort Drum, New York. Specialist Long, we thank you for your great service. Please stand, and please be recognized. [Applause.]

I also would like to recognize Sergeant Luke Daugherty from Lincoln, Nebraska. He's a Husker. It's good to have you with us. Sergeant Daugherty is a scout in the Nebraska Army National Guard. He has earned the distinction of competing for and winning the esteemed title of the Nebraska Army National Guard Non-Commissioned Officer (NCO) of the Year. It's a very high honor, indeed. We're very proud of you. Competing for and winning this award is the mark of an outstanding soldier. We offer you our congratulations. We Nebraskans and all Americans are proud of you, and I want to thank you once again for your great service to our country. Please be recognized. [Applause.]

Senator Chambliss, we appreciate this hearing today, which you've called. It gives us an opportunity to address the future of

our Reserve components. What is the role of our National Guard and Reserve Forces in tomorrow's national security strategy? Should they be more integrated in homeland security and homeland defense with shorter and fewer deployments? Just where should they fit in, in the array of military forces available for deployment? Those are the questions that will be answered.

Now, don't get me wrong, the issue is not whether they'll be used; but, rather, how, when, and where will they be used? Our Guard and Reserve Forces must be trained and ready, but ready for what? Until we know how they'll be used, we don't know what to train them for or how to equip them. So today, it appears that our National Guard and Reserve Forces are primarily forces available for deployment. Would they be better used if they were more integrated into our homeland security and homeland defense mission? If so, they would still be available for deployments, but not first in line. We need to know the vision for the use of our National Guard and Reserves so that we can ensure that they are prepared for that mission.

Another area that warrants our attention would be lessons that we learned from the current mobilization. As of December, we've mobilized nearly 320,000 Guard and Reserve personnel in support of our military operations throughout the world. As of last week, we had over 176,000 National Guard and Reserve personnel on active duty. These men and women have answered our Nation's call to service, and they've performed magnificently.

However, their service has not been without challenges. Many were ordered to active duty on very short notice, sometimes as short as 72 hours. This didn't give them a realistic time or opportunity to prepare themselves, their families, or their employers for the service; yet they served. Some took a significant pay cut when they reported for duty; yet they served. Some reported to active duty and were not paid properly or at all; yet they served. Tours of duty were extended with little or no notice. Families and employers had already made plans for their return, yet they continued to serve magnificently. Some were injured while serving, and we failed to process their orders correctly, denying them pay and medical benefits; and yet they served.

The men and women of our Reserve components have continued their outstanding service despite all of the problems that I have just mentioned. We need to learn from these experiences to make sure that we have corrective measures in place to prevent them from recurring.

Senator Chambliss, we are all fully aware that our Nation cannot successfully conduct a significant military operation without the participation of our National Guard and Reserve personnel.

I look forward to the testimony of our witnesses today regarding the future role of our Reserve component and how we can address the problems recently experienced by our mobilized troops, and provide better security for our country, and treat our troops more fairly. I thank you, once again, for this opportunity.

Senator CHAMBLISS. Thank you, Senator Nelson.

Mr. Hall, we have your full statement in the record, and we look forward to hearing your summary of that statement at this time. Please proceed.

STATEMENT OF HON. THOMAS F. HALL, ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

Mr. HALL. Thank you.

I wanted to follow on your initial remarks about family, because this summer I will be married 41 years, and my wife often speaks of her challenges in dealing with me. So I echo that.

I have a very short statement, in the interest of time, and I thank you for entering my written statement into the record.

Mr. Chairman and Senator Nelson, I thank you for giving me the opportunity to speak to you today on behalf of our 1.2 million guardsmen and reservists. This committee has always been very supportive of our Reserve components, and we thank you for that support.

Our Reserve components are at a pivotal point, and how we collectively navigate the crossroads we've encountered will affect all of our forces, both active and Reserve, for some time to come. We're in the midst of one of the longest periods of mobilization in our history. This mobilization revealed areas that need improvement, like the mobilization processes, as Senator Nelson discussed, troop stress and high demand, low-density units, family support, employer support, and the need to rebalance the force. Our printed statement goes into detail on those and many other areas of concern, as well as proposed legislation designed to address those problems.

Many have said we need more end strength. But what we've found is that we need to re-mission and re-task the troops we have. It's very important. I don't believe that we are out of people. But we're certainly out of balance. The usage rate across the force is not consistent. Rebalancing must occur to alleviate reusing the same troops over and over. Reducing troop stress is one of our greatest challenges and is at the top of my list.

Along with rebalancing, we're into our second year of exploring the continuous service program, which helps improve force management. We're looking holistically at the complete range of statuses, from pure civilian to active-duty military. This could provide access to various levels of participation, civilian-acquired skills, volunteer availability, and additional training. This will require further exploration, innovation, and flexibility. My statement describes two continuous service efforts underway, and we expect many new ideas that may require legislation, if you agree with it.

While we ask our people to do more, we must never lose sight of the need to balance their commitment to country with their commitment to family and to their civilian employer. That is why rebalancing of the force is so critical, the continuous service so crucial, and relieving the stress on the force absolutely essential.

I've had the pleasure, over the past few weeks and months, to visit Fort Bragg, Fort Hood, and Fort Irwin, to see and interface with the members of the 30th, the 39th, and the 81st Brigades of the National Guard that are training for their deployments to Iraq. I wanted to see firsthand how the training was going, which equipment was being used to conduct the training on, how the conversion from heavy status to lighter armored units was going, and, most of all, to see the attitude and the opinion from the "deck

plate," as we say in the Navy, of the young men and women that are doing the training.

I asked them directly about their expectations for the deployments and what they thought about being mobilized for 16 to 18 months. How about the 12 months boots on the ground? How were their families and employers reacting to the mobilization? Finally, were they going to stay in, or were they going to get out following the mobilization? I look forward to following up with you on many of their answers.

In summary, what I found was wonderfully excited and dedicated soldiers, who are answering the call of their Nation, and I found virtually no difference in the attitude and dedication of these Guard troops than what I found during my 34 years of active duty when I deployed with squadrons around the world. These young men and women, like their active-duty counterparts, represent the finest this Nation has to offer.

I thank you for this opportunity to testify on behalf of the greatest Guard and Reserve in the world. I look forward to your questions.

I did a little review and discovered that I and the other panelists here today have, with my 38 years of service, almost 300 years of military service to our country including my 38 years of service. I greatly respect these gentlemen and their service. One of them, Lieutenant General Jim Sherrard, will be retiring within a few months. He has devoted his entire adult life to service of his country, and I want to recognize that service, since it might be the last time he appears before the panel.

Thank you, I'm ready for your questions.

[The prepared statement of Mr. Hall follows:]

PREPARED STATEMENT BY HON. THOMAS F. HALL

INTRODUCTION

Good morning, Mr. Chairman and members of the subcommittee, thank you for your invitation to testify today. I would like to provide information to assist you in making the critical and difficult decisions you face over the next several months. This committee has been very supportive of our National Guard and Reserve members and on their behalf, I want to publicly thank you for all your help in strengthening our Reserve components. The Secretary and I appreciate it, our military personnel are grateful, and we thank you.

The Assistant Secretary of Defense for Reserve Affairs' Mission

The mission of the Assistant Secretary of Defense for Reserve Affairs (ASD/RA), as stated in title 10 USC, is the overall supervision of all Reserve components' affairs in the Department of Defense (DOD). I take this responsibility very seriously because our Guard and Reserve perform vital national security functions at home and around the world, and are closely interlocked with the States, cities, towns, and communities in America. Since I last saw you, I have made it my business to get out to the field—to see and listen to the men and women in our Guard and Reserve. My staff and I have spent time in the States and around the world with them, and we have listened carefully to their comments and concerns. Again this year, we are continuing to closely monitor the impact of increased use on our Guard and Reserve members, and on their families and employers.

My "Acid Test for the Guard and Reserve" remains unchanged; that is to "Ensure that the Guard and Reserve are: assigned the right mission; have the right training; possess the right equipment; are positioned in and with the correct infrastructure; are physically, medically, and operationally ready to accomplish the assigned tasks; are fully integrated within the active component; and are there in the right numbers required to help fight and win any conflict!"

Reserve Components are Full Partners in the Total Force

Because the Reserve components (RC) now comprise 46 percent of the Total Force, they are an essential partner in military operations ranging from homeland defense and the global war on terrorism to peacekeeping, humanitarian relief, small-scale contingencies and major crises. The fiscal year 2005 Defense budget recognizes the essential role of the RCs in meeting the requirements of the National Military Strategy. It provides $33.3 billion for RC personnel, operations and maintenance, military construction, and procurement accounts, which is approximately 2.8 percent above the fiscal year 2004 appropriated level. Significantly, this is only 8.3 percent of the overall DOD budget, which represents a great return on investment. Included are funding increases to support full-time and part-time personnel, and the required sustainment of operations. It also continues last year's effort toward RC equipment modernization and interoperability in support of the Total Force policy. These fiscal year 2005 funds support 870,900 Selected Reserve personnel. The Selected Reserve consists of the following: Army National Guard 350,000; Army Reserve 205,000; Naval Reserve 83,400; Marine Corps Reserve 39,600; Air National Guard 106,800; and Air Force Reserve 76,100; Coast Guard Reserve 10,000 (funded by the Department of Homeland Security). Our total Ready Reserve, which also includes the Coast Guard Reserve, Individual Ready Reserve and Inactive National Guard, is approximately 1.2 million personnel.

Maintaining the integrated capabilities of the Total Force is key to successfully achieving the Defense policy goals of assuring allies, dissuading military competition, deterring threats against U.S. interests, and decisively defeating adversaries. Only a well-balanced, seamlessly integrated military force is capable of dominating opponents across the full range of military operations. DOD will continue to optimize the effectiveness of its Reserve Forces by adapting existing capabilities to new circumstances and threats, and developing new capabilities needed to meet new challenges to our national security.

Mobilization, Contingencies, and the Global War on Terrorism

Today, we are in the midst of one of the longest periods of mobilization in our history. However, one certainty remains—that when called upon, the men and women of the National Guard and Reserve will respond promptly and perform their duty. From September 11, 2001, through December 31, 2003, we had mobilized 319,193 RC personnel in the global war on terrorism. We are managing these call-ups in a prudent and judicious manner, assuring fair and equitable treatment as we continue to rely on these citizen-soldiers.

As of December 31, 2003, 181,459 Reserve component personnel were on active duty—here at home and in every theater around the world supporting the global war on terrorism. They are providing a very broad range of capabilities, from Special Operations and Civil Affairs to personnel and finance support. The Service component breakdown is as follows:

- Army National Guard (ARNG): 91,079
- Army Reserve (USAR): 65,079
- Air National Guard (ANG): 6,420
- Air Force Reserve (USAFR): 9,376
- Navy Reserve (USNR): 1,562
- Marine Corps Reserve (USMCR): 6,774
- Coast Guard Reserve (USCGR): 1,169

Morale is high. Reservists are proud of their contribution and ready to serve. They will continue to respond to the call to active duty as long as there is meaningful work and we only keep them on duty for the absolute essential period of time. The men and women with whom I have spoken are proud of their service, fulfilling important missions and contributing to the needs of their country. We know there is a clear correlation between job satisfaction and proximity to the action, and it is our intent to make sure when we call guardsmen or reservists we assign them to the full range of military missions.

Managing Force Capabilities in High Demand

With the global war on terrorism and the ongoing mobilization of Guard and Reserve members, we are monitoring the capabilities in the RCs that have been in high demand and, where necessary, identifying actions necessary to reduce the demand on these capabilities. To assess the capabilities that are projected to be in demand as we prosecute the war on terrorism, the DOD has conducted an analysis of what elements of the RC have been called-up—evaluating their usage in terms of:

- Frequency of call-up—the number of times members have been called to active duty since 1996.
- Percentage of available pool—what percent of the RC force has already been used to support current operations.
- Duration—how long the members served when they were called-up.

Frequency of call-up—empirical data have revealed that, to date, a relatively small number of RC members have been called up in support of the current operation who were called up for other contingency operations in the last 8 years. Through December 2003, overall, 27,784 Reserve members, or about 3.2 percent of our Selected Reserve Force of 875,609, had been involuntarily called-up more than once since 1996 (11,802 called-up for more than one contingency operation—Bosnia, Kosovo, Southwest Asia, and ONE/OEF/OIF—and another 15,982 called-up more than once for the current contingency—ONE/OEF/OIF). This indicates that from a macro perspective, the frequency of call-ups does not indicate an excessively high demand on the Reserve Force at this time.

Percent of available pool—to mitigate the depletion of the available pool of Reserve assets, the DOD policy is that RC members will not serve involuntarily more than 24 cumulative months and to utilize volunteers to the maximum extent possible. In viewing the available pool from the macro level, it might appear that the overall percentage of the RC force that has been used to support operations since September 11 may be approaching a level difficult to sustain over a prolonged campaign. Through December 2003, about 37 percent of the Selected Reserve Force was mobilized in just over 2 years of this operation. However, the usage rate is not consistent across the force. Some career fields—like force protection, civil affairs, intelligence and air crews—have been used at a much higher rate. Other career fields—like medical administration, legal, and dental—have been used at a much lower rate. Currently, the utilization is concentrated in about one-fourth of the officer career fields and about one-fourth of the enlisted career fields; furthermore, the highest utilization is concentrated in a relatively small number of selected career fields.

Duration—tour lengths for RC call-ups have increased for every operation since Operations Desert Shield/Desert Storm. The average tour length for Operations Desert Shield/Desert Storm was 156 days. For operations in Bosnia, Kosovo, and Southwest Asia, the average tour length was about 200 days. For those members who have completed tours of duty during the current contingency, tour lengths have averaged about 320 days.

We are taking steps to address the possible depletion of needed resources that include:

- Increasing international military participation in Iraq, and developing Iraqi capacity to conduct police and security tasks and increasing actionable intelligence to disrupt threats to stability in Iraq.
- Rebalancing the Active and Reserve Force mix and capabilities. By identifying about 100,000 billets for possible restructuring over the next several years.
- Reviewing over 300,000 military positions for possible "civilianization," thereby increasing the number of military in the operational force.

All these actions are high priorities for the DOD since they will provide greater stability and predictability for reservists, their families and employers, and will optimize the forces available over what is anticipated to be a long war.

Predictability is an important key to using the Reserves. It is now routine for the Army Guard to plan and execute Bosnia and Kosovo missions. They are currently maintaining about 474 guardsmen in the Sinai. The Army Reserve provides most of the logistics support in Kosovo. Future rotations in Iraq and Afghanistan will be planned in advance, providing more time for the RC to train at home in preparation.

Force protection continues to be an important requirement for the force in the global war on terrorism both at home and abroad. Reserve personnel provide the majority of force protection to military personnel and installations worldwide. As of February 25, 2004, the Army National Guard had 6,021 soldiers augmenting Air Force security forces—providing support at Air Force bases for the second and final year of this mission. Approximately 9,000 soldiers provided force protection for the Air Force the first year. This initiative is one example of innovative solutions for force protection in the global war on terrorism as the Air Force rebalances its security forces through an increase in training capacity, use of contractors, and technological solutions.

The Guard and Reserve are important partners in daily military operations and will play a major role in any future operations while maintaining their traditional role as citizen soldiers. We must ensure that when we employ members of the

Guard and Reserve, they are provided meaningful missions and we retain them on active duty for only as long as is necessary to accomplish the mission.

Rebalancing the Force

The Reserve components continue to make significant and lasting contributions to the Nation's defense and to the global war on terrorism while the armed services transform to be more responsive, lethal, and agile. However, it has become evident that the balance of capabilities in the active and Reserve components is not the best for the future. There is a need for rebalancing to improve the responsiveness of the force and to help ease stress on units and individuals with skills in high demand.

Repeated mobilizations are not a major problem yet. Through December 31, 2003, just over 3 percent of the Selected Reserve Force serving today had been involuntarily called-up more than once since 1996. Thus, force rebalancing is necessary in some areas, but in other areas innovative management actions may be sufficient to reduce the stress of over-use.

Easing or reducing the stress on the force requires a multifaceted approach by the DOD—no single solution will resolve the challenges faced by the Services. To achieve this goal, the DOD engaged in a cohesive rebalancing strategy consisting of the following points:

- Move later deploying active component (AC) forces forward in operation plans and early deploying RC forces later in the plan and shift assets between combatant commanders. This would enhance early responsiveness by structuring forces to reduce the need for involuntary mobilization during the early stages of a rapid response operation.
- Introduce innovative management techniques such as enhanced volunteerism, expanded use of reachback, streamlined mobilization processes to improve responsiveness, and employment of innovative management practices such as the continuum of service and predictable overseas rotations.
- Rebalance capabilities by converting lower priority structure to higher priority structure both within and between the AC and RC.

Through this comprehensive rebalancing strategy the DOD will gain added efficiencies from its existing force structure that may preclude any necessity to increase force end strength. This rebalancing strategy has already resulted in about 10,000 changes in military spaces both within and between the AC and RC to address stressed career fields in fiscal year 2003, and about 20,000 more in fiscal year 2004. The fiscal year 2005 budget supports about 20,000 additional changes as well.

A breakdown of specific fiscal year 2005 Service-rebalancing initiatives includes:

- Army—12,000 spaces converted to improve early responsiveness in the transportation, quartermaster, medical, and engineer career fields. Conversions will also reduce stress on military police, Special Operations Forces, and intelligence career specialties.
- Navy—1,000 spaces converted to reduce stress in security forces.
- Marine Corps—3,000 spaces converted to reduce stress in Air Naval Gunfire Liaison Companies, security forces, and intelligence career fields.
- Air Force—4,000 conversions to reduce stress in security forces, aircrews and maintenance career fields.

Additional plans embedded in the Future Years Defense Plan (FYDP) include further conversions and major rebalancing efforts to improve readiness and capabilities. In total, the Services plan to rebalance about 100,000 spaces between fiscal years 2003 and 2009.

By employing innovative force management practices, the Services can perhaps achieve the greatest degree of flexibility in utilizing the Total Force, while reducing the stress on critical career fields and the need for involuntary mobilization. Each Service is unique. Approaches such as the continuum of service, reachback, improved predictability through rotational overseas presence, and improvements to the mobilization process, can help to ensure that the Services have access to individuals with the skills and capabilities required for both emergent operations and sustained, day-to-day activities.

In total, the initiatives described reflect a cohesive rebalancing strategy that will ease the stress on the Reserve Forces. Rebalancing efforts will not happen overnight. The process will be iterative and ongoing, as demands on the Total Force change and new requirements create different stresses on the force. By proceeding in this manner, the DOD will be able to achieve its transformational goals, ensure the judicious and prudent use of its RCs, and ultimately assure victory in the global war on terrorism.

TRAINING THE FORCE

The Guard and Reserve are preserving their well-earned reputation as the best trained and best led RCs in the world. However, our global environment has changed significantly since September 11, and our approach to training and readiness has changed accordingly. As we prosecute the global war on terrorism, training to meet required readiness levels remains a Departmental priority and attention is focused on optimizing training effectiveness and efficiency.

Meeting these challenges requires both short-term and long-term solutions. As an example, we are finding that functions for which units and personnel are structured and trained do not always match the current and emerging mission requirements. While rebalancing efforts provide force structure solutions, immediate retraining of our reservists provides a near-term solution. Once units are identified for future force rotations, retraining begins immediately to maximize time available prior to deployment. Currently, innovative concepts such as employing 4-week training venues, known as "2+2s" or "pop-ups"—that are comprised of 2-weeks of annual training coupled with follow-on 2-weeks of Active Duty Training (ADT)—are quickly and effectively meeting these challenges. Although our solution set is effective, it is not yet efficient.

We need additional tools, innovations and flexibility to better manage current training/retraining efforts. To this objective, a proposed legislative change requests removal of the "other than for training" exclusion from existing mobilization statutes. The ability to schedule and conduct well-planned, phased training will yield maximum benefits in both the learning experience and skills retention. Coupled with the DOD's "train, mobilize, deploy" approach to RC employment, we will capitalize on scarce resources, reduce "cross-leveling" and unit disruptions, and eliminate some "post-mobilization" training. This approach allows units to train together and deploy as cohesive, effective units. Ancillary benefits also include increased predictability, stability and relevance for RC members, and protections and benefits for members' families not previously available while participating in required training in a nonmobilized status.

Effective and meaningful training is only relevant if RCs are responsive and rapidly deployable in the joint strategic environment. Toward that end, we've worked to ensure the RCs are included in all training transformation initiatives and other joint training opportunities. These joint opportunities will result in a significantly improved overall capability of our Armed Forces.

Also included in the training transformation initiative is the use of cutting edge training technologies that will significantly improve members' access to required training—anytime, anywhere. When implemented, training transformation will deliver joint training worldwide and provide a major step forward for Reserve members, providing distributed learning with embedded simulations that will enable "see, learn, do" training. These and other technology-based initiatives will optimize use of training days, while limiting time away from employers and families.

Our part-time citizen soldiers, sailors, airmen, and marines have responded magnificently to their Nation's call. They have faced significant training challenges supporting the global war on terror—challenges they have met head-on and overcome—and I am immensely proud of their accomplishments.

A Continuum of Service

We are in our second year of transitioning to a new approach in force management called "continuum of service." The continuum of service will facilitate varying levels of participation and enable members to more easily move between active and Reserve service. Particularly for reservists, this approach would enable them to voluntarily move from the traditional Reserve training regimen (or simply being available as part of the Individual Ready Reserve (IRR) manpower pool) to full-time service for a period of time—or into a participation level somewhere between full-time and the traditional 38 days of Reserve training each year. Or move in the other direction—fewer days of participation as their circumstances dictate. The continuum of service also applies to the active service member who could easily move into a RC for a period of time, without jeopardizing his or her career and opportunity for promotion.

Just as the continuum of service encourages volunteerism in the standing force, it also creates opportunities for military retirees and other individuals with specialized skills to serve on a more flexible basis, if their skills are needed.

The "continuum of service" has a number of important advantages: in addition to capitalizing on volunteerism, it will enhance the ability of the Armed Forces to take advantage of the highly technical skills many reservists have developed by virtue of their experience in the private sector—while at the same time creating opportuni-

ties for those in the Active Force to acquire those kinds of skills and experiences. It also improves our capability to manage the military workforce in a flexible manner, with options that currently exist only in the private sector. Finally, there are certain skills that are hard to grow or maintain in the full-time force, but may be ideally suited for part-time service in a RC, such as certain language skills and information technology specialties. The continuum of service can provide the opportunity for highly trained professionals to serve part-time and provide a readily available pool of these highly specialized individuals who would be available as needed.

We have two programs that started last year using this concept. In August 2003, the Army implemented an innovative new program to recruit Arabic speakers directly into the Individual Ready Reserve. The program focuses on recruiting American citizens or U.S. permanent residents (many of Iraqi origin) who are fluent in languages that are needed for the global war on terrorism. By the end of 2003, the Army had enlisted 144 heritage Arabic speakers. By the end of this year, we expect the number of volunteers participating in this program to exceed 250. Recruits include individuals skilled in the following languages: Arabic-Modern Standard; Arabic-Gulf-Iraqi; Pushtu; Pushtu-Afghan; Pushtu-Peshawari; Kurdish; Turkish; Dari/Persian-Afghan/Persian-Dari. Once they complete all training requirements, many will deploy to Iraq to assist in the reconstruction effort.

The second initiative now under way is a small pilot program aimed at leveraging people with a unique set of civilian skills that are hard to grow and maintain on active duty, but who can, in small numbers, have a dramatic impact on our military's success on the battlefield. This program, known as the Defense Wireless Service Initiative, is recruiting highly skilled wireless engineers and spectrum managers to help us better manage our increased use and reliance on the electromagnetic spectrum in the execution of combat operations and employment of smart weapons. Our office is working with the Army to imbed a total of eight reservists (four officers and four enlisted) into an Army structure that will work in two four-person teams to analyze operational scenarios and lay down networks for the Army. When called, these reservists will deploy to perform real-time operational spectrum management.

While we are making strides to implement the continuum of service, there are areas in which we need your assistance. They include:

- Providing more consistency in management and accounting of reservists serving on active duty.
- Providing greater flexibility in using inactive duty for reach-back and to perform virtual duty.
- Allowing for an alternative military service obligation and streamlined basic training for certain individuals accessed into the force with unique civilian acquired skills.
- Providing the authority to establish auxiliaries for the Army, Navy and Marine Corps, modeled after the very successful Coast Guard Auxiliary.

These changes will help the DOD optimize the use of the force and facilitate volunteerism, thus reducing the need to involuntarily call-up Guard and Reserve members.

Balancing Critical National Security Resources

To preclude conflicts between Ready Reserve members' military mobilization obligations and their civilian employment requirements during times of war or national emergency, the DOD conducts a continuous "screening" program to ensure the availability of Ready reservists for mobilization. Though once a mobilization is declared—as occurred on September 14, 2001, all additional screening activities cease and all Ready Reserve members are considered immediately available for active duty service. At that time, no new deferments, delays, or exemptions from mobilization are granted because of civilian employment.

However, due to the unique situation that was created by the events of September 11, the DOD immediately recognized that certain Federal and non-Federal civilian employees were critically needed in their civilian occupations in response to the terrorist attacks on the World Trade Center and Pentagon. Accordingly, the DOD established a special exemption process to help accomplish overall national security efforts. As of December 31, 2003, we have processed 263 requests from civilian employers to delay or exempt a reservist-employee from mobilization. We approved 98 requests for exemptions, 90 reservists were authorized a delay in reporting to give the employer time to accommodate the pending mobilization of the employee, and 75 requests were denied. We continue to receive exemption requests as additional reservists are identified for mobilization and process them as expeditiously as possible.

Reserve Component Support to Civil Authorities

The National Guard has played a prominent role supporting local and State authorities in terrorism consequence management. At its core is the establishment of 44 Weapons of Mass Destruction Civil Support Teams (WMD CSTs), each comprised of 22 highly-skilled, full-time, well-trained and equipped Army and Air National Guard personnel. To date, the Secretary of Defense has certified 32 of the 44 congressionally authorized teams as being operational. The locations of the 12 new teams, designated in the National Defense Authorization Act for Fiscal Year 2004, have not been formally released by the Assistant Secretary of Defense for Homeland Defense.

The WMD–CSTs will deploy, on order of the State Governor, to support civil authorities at a domestic chemical, biological, radiological, nuclear, or high yield explosives (CBRNE) incident site by identifying CBRNE agents/substances, assessing current and projected consequences, advising on response measures and assisting with appropriate requests for additional State and Federal support. These 44 strategically placed teams will support our Nation's local first responders as a State response in dealing with domestic incidents. The RCs WMD–CST funding for fiscal year 2004 is $184.4 million, and the budget request for fiscal year 2005 is for $189.9 million. In the National Defense Authorization Act for Fiscal Year 2004, Congress directed the Secretary of Defense to field 12 new teams and to develop a plan to establish an additional 11 WMD–CSTs, in order to have at least one in each State and territory.

The DOD is also leveraging the capabilities of existing specialized RC units for potential domestic use in support of civil authorities. During fiscal year 2001, DOD completed the training and equipping of 25 Army Reserve chemical decontamination companies and 3 chemical reconnaissance companies to support civil authorities in responding to domestic incidents. This enhanced training and equipment will improve the readiness of these units to perform their warfighting mission, while allowing them to respond effectively to a domestic emergency, if needed. A budget request of $12.4 million was approved for fiscal year 2004 to continue training Army Reserve chemical soldiers to perform these domestic decontamination and reconnaissance missions and also to sustain specialized equipment. Some of this money will also be used to provide training to Army Reserve medical soldiers that will better enable them to support a domestic medical response to a chemical, biological, radiological, or nuclear incident.

Recruiting and Retention

Historically, the recruiting market for the RCs has been a mix of prior service personnel who recently separated from active duty and individuals with no previous military experience. Both market segments now present significant recruiting challenges. A smaller Active Force means a smaller number of prior service military members available for the Reserve Force. In the non-prior service market, the propensity of 17–25 year olds to consider military service is lower than in the past. Compounding these difficulties, all Services and their RCs are trying to recruit from essentially the same non-prior service market—the same population from which civilian employers recruit.

However, even in the face of these challenges, in the aggregate, the RCs exceeded their authorized end strengths for fiscal year 2003, which is the ultimate objective of the recruiting program. Where recruiting difficulties occurred, retention was more than sufficient to offset potential strength shortages. Where retention was lower than hoped for, recruiting missions were exceeded. Overall, we are well positioned to recruit and retain sufficient Reserve component personnel to meet currently projected force levels for the immediate future.

The RCs have not experienced a significant exodus of personnel as a result of the recent relatively high use of the Reserve and National Guard. Attrition was lower than expected in almost every component. Only in the Air National Guard did attrition exceed the established ceilings (12.7 percent versus a ceiling of 12.0 percent). Although this is an issue that the Air National Guard is monitoring closely, it is not considered to be a significant problem, as recruiting was well above program goal and the Air National Guard exceeded its end strength objective.

Although the RCs achieved 2003 strength objectives and are continuing that success thus far in 2004, we remain vigilant about the possible impacts of an improving economy and high operations tempo on our ability to sustain desired strength levels.

To assist the RCs in their recruiting and retention efforts, we are proposing an accession/affiliation bonus for officers. This will provide an incentive for officers leaving active duty who possess skills that are critically short in the Selected Reserve and individuals with no prior military experience who can fill junior officer shortages to join the Guard or Reserve. This would be the first bonus designed to

fill the officer ranks in the Selected Reserve, other than bonuses for officers in the health professions, and will provide the RCs with a much needed recruiting tool that targets both experienced, trained, prior service officers and non-prior service individuals.

Compensating Guard and Reserve Personnel

As requested in the Senate report that accompanied the National Defense Authorization Act for Fiscal Year 2003, we examined compensation programs for RC members. That report was recently sent to the Committees on Armed Services, and includes not only those items that the committees specifically requested, but also addresses areas of interest and concern to RC members. The compensation system must support the current employment of the Reserve Force and it must be flexible enough to respond to any emerging or future trends that result from the increased use of the Guard and Reserve. We strongly believe that pay and benefits must be focused on those members who are bearing the burden of mobilization and deployment, and that the DOD must have the tools to respond quickly and decisively with a compensation and benefits package that supports our mobilized and deployed troops. There are many Guard and Reserve members who have been affected by the current mobilization and more will be affected in the future. The review that was conducted and the report that was forwarded to both Committees on Armed Services identifies some areas where action is required to ensure the equitable treatment of RC members.

Some of the topics identified in the report have already been resolved with your assistance, such as lodging expenses for mobilized reservists when they are in a leave status, providing the spouse of a reservist who dies while performing inactive duty training with an annuity, and authorizing hazardous duty pay for members who perform duty in the polar regions. We are also proposing legislation that would authorize an officer accession/affiliation bonus for service in the Selected Reserve and a provision to correct a flaw in the method that the high 36-month average is calculated for RC members who are retired because of a disability. However, more is needed, and we will continue to address those areas where reservists are disadvantaged by the compensation system, such as a different, generally lower, housing allowance for reservists on active duty for less than 140 days.

One area of continuing interest is the Reserve retirement system. There have been a number of proposals that would lower the age at which Reserve retirees would be able to begin drawing retired pay. While the DOD is not opposed to making changes to the Reserve retirement system, it is important to ensure that retirement reforms are consistent with the overall goals of Reserve personnel management, maintain equity between active and Reserve personnel, are cost-effective, and contribute to improved force management.

Before undertaking a new Reserve entitlement that imposes a large cost burden on the DOD, the Federal Government and ultimately the taxpayers, we need to be assured that such a change is necessary and that it will not only benefit Reserve retirees, but also ensure that we are able to maintain sufficient numbers of high quality Reserve personnel with the requisite mix of skills and experience. Retirement benefits help shape the force, creating a Reserve Force with certain characteristics and a specific distribution of personnel by rank and years of service.

While we recognize that the frequency and length of deployments have increased over the past 2 years for a portion of the Reserve Force, maintaining equity in the DOD retirement system must consider such demands in conjunction with those of a full-time active duty career. The readiness levels, frequency of deployments, permanent change of station moves, the impact on families, the reduced employment opportunities for spouses and the need to start a second career at an advanced age are just a few of the considerations in providing an immediate annuity for Active-Duty Force members who complete at least 20 years of active service.

Reducing the retirement age for Reserve personnel, however, does not provide immediate compensation to those who are currently bearing the burden of mobilization and deployment. Only about 24 percent of RC members in the force today will actually qualify for retirement. With an average RC career of just over 10 years and the mean age of those who are mobilized at about 35, many who are actually bearing the burden of mobilization and deployment will never benefit from such changes.

RAND, which is in the second year of a study to develop a predictive model on the effects that possible changes to the Reserve retirement system will have on recruiting and retention, has provided some preliminary views on the proposals that would lower eligibility for receipt of retired pay to age 55. They project that such a change would have very little effect on force management. RAND notes that the value of retirement benefits is heavily discounted by new recruits and junior Reserve personnel. The result of such a change would cost the DOD nearly $7 billion

over the next 10 years and the Federal Government over $13.6 billion with no appreciable influence on force management since the immediate beneficiaries are almost exclusively those who have already made a retirement decision and are no longer serving. While the proposals to reduce the retirement age based on additional years of service may provide a more direct effect on retention, increased retention of our most senior members could inadvertently undermine retention of mid-grade personnel by limiting promotion opportunities.

The bottom line is that we must compensate our Guard and Reserve members fairly, ensuring comparability, that is, equal pay for equal work, for those who are currently sustaining the burdens of Reserve service. Increasing the overall present value of Reserve retirement will have little impact on recruiting and retention. However, increasing such lifetime entitlements can limit our ability to provide appropriate incentives for recently deployed and deploying personnel, to enhance force readiness and to improve force management.

Health Care Enhancements

Since the events of September 11, 2001, the DOD has made a number of improvements in access to healthcare for the 319,193 RC members mobilized through December 31, 2003, in support of the global war on terrorism and their dependents. First, TRICARE Prime has been made available to the families of reservists ordered to active duty for more than 30 days, a significant reduction from the previous 179-day threshold. At the same time, RC eligibility for TRICARE Prime Remote has been expanded to include eligible family members who resided with the RC member prior to mobilization and deployment.

The DOD has continued the TRICARE Demonstration Project, approved by the Secretary, specifically to assist the families of mobilized reservists with the transition to TRICARE. The demonstration project reduces out of pocket expenses for Reserve family members and makes it easier for them to maintain continuity of care with their existing healthcare providers. Under this ongoing project, the annual deductible (up to $300 per family) for those members who do not or cannot enroll in TRICARE Prime is waived. Second, the requirement to obtain a non-availability statement to receive inpatient care outside a military treatment facility is waived, so Reserve family members can maintain continuity with their existing local providers, if they wish. Finally, the DOD will pay up to 15 percent above TRICARE maximum allowable charges for family members receiving care from providers not participating in TRICARE and who bill in excess of TRICARE maximum allowable charges.

In addition to assisting the families of mobilizing and deploying RC members, the DOD is focused on ensuring and enhancing the medical readiness and deployability of Reserve members. RC dental readiness remains a challenge, although we have made considerable progress. DOD policy requires an annual dental examination for all active duty and Selected Reserve members. The TRICARE Dental Program (TDP) offers members a comprehensive dental option. A standard dental screening form has been approved by the DOD for use by a reservist's civilian dentist to assist the RCs in tracking the dental readiness of members.

Certain of the enhancements enacted in the National Defense Authorization Act for Fiscal Year 2004 directly affect mobilized and mobilizing RC members. The authority to provide medical and dental screening and necessary care for members who have been alerted for mobilization allows us to ensure members are fit for active duty, meet deployment standards, and are provided any necessary treatment when a deficiency is detected. In addition, RC members may now be eligible for TRICARE upon receipt of a "delayed effective date active duty order" of greater than 30 days in support of a contingency or 90 days prior to mobilization whichever date is later. The period of transitional medical assistance for Reserve members separated from active duty of more than 30 days in support of a contingency operation—previously 60 or 120 days—has been extended to 180 days.

We intend to implement the provision that allows certain RC members who are eligible for unemployment benefits or who are not covered by an employer-sponsored healthcare benefits plan to enroll in TRICARE. To assure effective implementation we propose a demonstration project to determine the impact of these benefits on Reserve medical readiness and RC recruiting and retention.

Another area worth exploring may be how to expand the TRICARE provider network, since 52 percent of reservists don't live within a TRICARE catchment area. With a larger TRICARE provider network, the number of families that would have to change providers could be reduced, thus making the transition into and out of TRICARE much more transparent for Reserve families.

Assuring the medical readiness of activated Reserve members remains a priority, as is providing continuity of care for Reserve families transitioning to active duty

dependent status. However, it is important to proceed carefully when considering costly new entitlement programs. Any new permanent healthcare enhancements must consider their cost-effectiveness with respect to recruiting, retention and readiness benefits for the RCs.

Family Readiness

Taking care of our Guard and Reserve members and their families continues to be a top priority for the DOD. We constantly are examining our policies and programs to ensure that our reservists do not feel disenfranchised and that we have systems in place that support their families. The partnership my office established with the DOD Office of Family Policy continues to reap dividends as every program and every initiative is examined from a total force perspective. We are making extensive use of technology to reach out to Guard and Reserve members and their families about their benefits and how to access them. We are continually looking for opportunities to improve and expand our outreach efforts to ensure Guard and Reserve members and their families receive the support they richly deserve. A robust family support network is particularly critical when Guard and Reserve members are mobilized and deployed. While each component manages its own family program, there are many challenges that are common to all families regardless of the Service or component of the member. To bridge possible gaps between Service unique programs and common challenges, the DOD has worked with the Services and their Reserve components to evolve family readiness and support programs to achieve Joint Service Total Force capabilities. The goal of this initiative is for any service member or family member to receive assistance and support at any family service activity, regardless of the member's Service or component affiliation. To accomplish this, we have found that it is valuable to bring together those responsible for family readiness planning, programming, managing, and implementing family programs from all Services and components at all levels. This is the only way we can truly achieve a Total Force perspective in providing family readiness training and services to enhance mission readiness. The Services and the OSD staff have embraced this approach and are working collaboratively to support our men and women in uniform and their families.

Family assistance center personnel and unit family support groups are on the front lines when it comes to assisting service members and their families. That is why the National Guard established 400 family assistance centers that service more than 400 communities in the States and territories—to ensure there is local support not only for Guard members, but any service member and any family.

We have also taken positive actions to "get the word out" about entitlements and benefits available to the Reserve community, and how to access them. We know that information and communication are essential to Reserve families. We published a "Guide to Reserve Family Member Benefits" which is designed to inform family members about military benefits and entitlements, including medical and dental care, commissary and exchange privileges, military pay and allowances, and reemployment rights of the service member—to name just a few of the topics covered. Additionally, we published a family readiness "tool kit" that is available to assist commanders, service members, family members and family program managers in preparing Guard and Reserve members and their families for mobilization, how to cope with deployment and how to handle redeployment/demobilization and family reunions. These events can be very stressful for the service member and the family, as they must adjust to each step in the mobilization, deployment, redeployment, demobilization and reunion process. These publications are available on the Reserve Affairs Web site, which can be accessed through DefenseLink.

We are constantly looking for opportunities to improve the support that our Guard and Reserve members and their families need and deserve. We expect the best from them and they should expect and get no less from us.

Personnel and Pay Information Technology

We are all acutely aware that the existing personnel and pay systems are not necessarily compatible and do not support our human resources objectives for the 21st century. We need a system that provides a single source for personnel and pay management of service members throughout their career, regardless of service, component or duty status. The Defense Integrated Military Human Resource System (DIMHRS) will provide the DOD with the capability to effectively manage service members across the full operational spectrum—during peacetime and war, capturing accurate and timely data as members move between duty statuses to include mobilization and demobilization. The system will support the full range of personnel life-cycle activities from accession through separation or retirement. Key functions

include ensuring proper pay and benefits, tracking personnel in theater, and transferring individuals to other Services or components.

DIMHRS is scheduled to be fielded in the Army starting during the first quarter of fiscal year 2006 and be fully operational in all Services by the end of fiscal year 2007. But any problems we are experiencing in paying our mobilized Guard and Reserve members must be addressed now. The Defense Finance and Accounting Service (DFAS)—recognizing that the current Defense Joint Military Pay System (DJMS) is aging, limiting the responsiveness, efficiency, and high quality customer service that our members deserve—is developing an interim system called Forward Compatible Military Pay (FCP). FCP will be a bridge to correct the problems currently being encountered by our mobilized reservists until DIMHRS is fully implemented. Implementation of FCP will begin no later than March 2005 and be completed by March 2006. While we would like to have the system in place today, we can all appreciate the complexity of launching a new system, even an interim one, and I would like to acknowledge DFAS for taking on this initiative.

Employer Support of the Guard and Reserve

Employer support for employee participation in the National Guard and Reserve remains an area of great concern. Employer support is absolutely critical to recruiting and retaining quality men and women for our Reserve component forces. Building employer support requires a strong network comprised of both military and civilian-employer leaders, capable of fostering communication, education and an exchange of information. Employers' understanding of their legal requirements concerning support for Guard and Reserve employees is imperative.

The National Committee for Employer Support of the Guard and Reserve (ESGR) is the DOD's primary office for outreach and education to employers. ESGR coordinates, trains, funds and directs the efforts of a community based national network of over 4,200 volunteers, organized into 55 committees located in every State, the District of Columbia, Guam, Puerto Rico, the Virgin Islands and in Europe. ESGR has developed and implemented new training programs for their volunteers, planned new industry symposia to bring together industry segments with military and Department leaders, expanded their presence at industry conferences, and further developed and enhanced their partnerships with the national, State, and local chambers of commerce, and local and national human resource organizations.

Although we established a Guard and Reserve Employer Database in late 2001 in which reservists could voluntarily provide information about their civilian employers, we were having limited success in populating the database. However, information about the civilian employers of reservists is necessary for the DOD to meet its statutory responsibilities to consider "civilian employment necessary to maintain national health, safety, or interest" (10 USC, Sec. 12302) when determining members to be recalled, especially members with critical civilian skills, and to inform employers of reservists concerning their rights and responsibilities under the Uniformed Services Employment and Reemployment Rights Act.

Last year, we began laying the groundwork for a mandatory reporting program. That effort will culminate with the rollout of a new Civilian Employment Information (CEI) program by late spring of this year. Under the CEI program, reservists will be required to provide information about their employers. We have been working closely with the Services and the RCs in the development of this program to ensure we protect the privacy of reservists with respect to the use of this information about their civilian employers. For example, we would not directly contact an employer about an individual reservist unless the reservist asked for our assistance with an employer issue. But we could work with an employer as part of our broader outreach efforts to inform all employers about the Guard and Reserve.

Populating the Guard and Reserve Employer Data Base is critical in order to clearly focus employer outreach efforts. It will enable us to work closely with the civilian employers who are directly affected by the mobilization of reservists. The use of this program will also assist in other research projects we have undertaken to determine if and when significant problems with employers are emerging. Understanding the challenges civilian employers must address will help us identify steps we can take that will be most beneficial to them—strengthening our employer support program and making service in the Guard and Reserve easier for our members.

In addition to these efforts, other major initiatives include:

- Determining employer attitudes through surveys.
- Developing personal relationships with employers.
- Supplying systems to create ESGR volunteer manpower efficiencies.
- Developing follow-up processes to sustain employer support.
- Providing support at all mobilization and demobilization locations.

The tens of thousands of man-hours from the ESGR volunteers each year determines the success of the program as measured by the employer's understanding of their role in the Nation's defense, as well as their continued strong support of their National Guard and Reserve employees. Those volunteer efforts are true patriotism at work!

Civil Military Programs

In support of the President's call for Americans to serve, the DOD continues to fund two youth outreach programs, Challenge and STARBASE. Both programs help improve the lives of children by surrounding them with positive civilian and military role models and helping them not just dream big dreams, but achieve them. The budget request for fiscal year 2005 is $66.1 million for Challenge and $15.1 million for STARBASE.

Operating in 24 States, the Challenge program has successfully given young high school dropouts the life skills, tools and guidance they need to be productive citizens. The STARBASE program, operating at 48 military facilities located in 29 States, the District of Columbia, and Puerto Rico, has enhanced military-civilian community relations and reached approximately 350,000 young children. AC and RC members volunteer their time to the STARBASE program in order to provide a military environment/setting in which local community youth, especially the disadvantaged, are provided training and hands-on opportunities to learn and apply mathematics, science, teamwork, technology, and life skills. These two successful DOD outreach programs were identified in support of the USA Freedom Corps effort to provide opportunities for Americans to become more involved with serving their communities.

The third civil military program is the Innovative Readiness Training (IRT) program. IRT is similar to the overseas deployment exercise program in that it provides valuable military training that is compatible with mission essential training requirements. IRT projects help address serious community needs within the 50 States, U.S. territories, and possessions. The program is a partnership effort between local communities and AC and RC units. Individuals and units involved are primarily from medical, dental, and engineering career fields.

All IRT projects are compatible with mission essential training requirements. IRT projects must be conducted without a significant increase in the cost of normal training and are designed to enhance training in real world scenarios without deploying overseas. Program expenditures for fiscal year 2004 are $24.7 million. The budget request for fiscal year 2005 is $20.0 million.

EQUIPMENT AND FACILITY READINESS

National Guard and Reserve Equipment

The fiscal year 2005 budget includes $1.6 billion to procure needed equipment for the RCs. In the past, the RCs relied on cascaded equipment from the ACs to help the shortfalls, however, given the fact that the majority of the support functions are in the RCs, there is little equipment available to flow from the AC. In addition, the equipment that has been recently deployed from both the AC and RC has been exposed to extreme heat and a very sandy environment that is taking its toll on engines, generators, compressors, etc. The normal peacetime usage rate for ground equipment is 3,000 to 4,000 miles a year and in the wartime environment it is currently being used 3,000 to 4,000 miles a month, a 12-fold increase. With the combination of these two major factors, the life of the equipment is being shortened dramatically from what was programmed in peacetime. We are convinced that only by modernizing the equipment of our Reserve Forces will the DOD reap the full potential of a capabilities based force in the future. Key equipment items planned for the RCs included in the fiscal year 2005 President's budget request are:

- Army National Guard and the Army Reserve: Global Air Traffic Management, aircraft modifications, air traffic control, high-mobility multipurpose wheeled vehicle (HMMWV), Family of Medium Tactical Vehicles (FMTV), Family of Heavy Tactical Vehicles (FHTV), float ribbon bridges, tactical bridging, generators, and MLRS launcher systems.
- Air National Guard and Air Force Reserve: Aircraft modifications for the F–16, C–5, C–130, KC–135 and HH–60, common aircraft support equipment, tactical communications—electronics equipment, and base information and communications infrastructure.
- Naval Reserve: C–40 aircraft, tactical vehicles, aircraft modifications for the C–130, H–53, adversary, and C^4ISR equipment.
- Marine Corps Reserve: High mobility artillery rocket system, night vision equipment, and amphibious assault vehicle.

National Guard and Reserve Facilities

Military Construction

The fiscal year 2005 military construction investment for new facilities affecting all RCs is $590 million and represents approximately 6.2 percent of the DOD's overall military construction and family housing requests of $9.4 billion. The President's budget request provides new Armed Forces Reserve Centers, vehicle maintenance facilities, organizational maintenance shops, and aircraft maintenance facilities for the RC missions. These new facilities begin to address the needed replacement of the RCs' infrastructure in support of military transformation programs. The fiscal year 2005 budget request continues the DOD's efforts to improve the quality of life for the Guard and Reserve which for the reservist is not normally housing and barracks but rather where they work and train.

Sustainment, Restoration, and Modernization

The Reserve components' fiscal year 2005 facility sustainment, restoration, and modernization (SRM) request is approximately $950 million. The DOD continues its commitment toward restoring and modernizing existing facilities. The RCs were allocated 95 percent of their requirements. The recapitalization rate will be continually reviewed to meet the 2008 goal of a 67-year rate. The fiscal year 2005 request reflects a concerted effort by the DOD to reduce the SRM backlog and improve the Guard and Reserve facility readiness rating.

Environmental Program

The installation environmental programs managed by each RC continue to be a good news story of professionalism and outstanding efforts to protect, preserve, and enhance the properties entrusted to the Reserve Forces. The fiscal year 2005 environmental programs are budgeted at $253.6 million, which includes $125.2 million for environmental compliance requirements that provide 75 percent of the overall validated Reserve and National Guard environmental requirements for fiscal year 2004.

Joint Construction Initiatives

The Reserve components are at the forefront of creating innovative ways to manage scarce military construction dollars. They continue to pursue land exchanges and joint construction, wherever practicable. Joint construction is the practice of building one consolidated facility that fills the needs of two or more components. If we are to organize as a capabilities-based force, then our infrastructure should be designed to support that concept, also. Jointly constructing facilities of similar functions and eliminating the need for multiple buildings in the same geographic area helps to transform our infrastructure toward operational capabilities and efficiencies. The savings and benefits of joint construction go far beyond concepts. Intuitively, most would agree one building costs less than two of similar size and function, but the benefits extend to reductions in force protection, sustainment dollars, contracting costs, and cross-service cultural understandings.

I thank Congress for their support of this effort and will continue pursuing more land exchanges and joint construction opportunities in the future.

Legislative Initiatives Included in the Omnibus Submission (Introduced on March 24, 2004, as S.2299)

Sec. 402. New title for the Vice-Chief of the National Guard Bureau.

Sec. 411. End strengths for Selected Reserve.

Sec. 412. End strengths for Reserves on active duty in support of the Reserves.

Sec. 413. End strengths for military technicians (dual status).

Sec. 414. Fiscal year 2005 limitation on number of non-dual status technicians.

Sec. 415. Special rule for computing the high-36 month average for Reserve component members.

Sec. 509. Length of terms for the Assistants to the Chairman of the Joint Chiefs of Staff for National Guard and Reserve Matters.

Sec. 521. Revised concept of inactive duty and repeal of funeral honors duty.

Sec. 522. Authorized strengths of Navy and Marine Corps Reserve flag and general officers.

Sec. 523. Mandatory retention on active duty to qualify for retirement pay.

Sec. 524. Amendment to the purpose of the Reserve components.

Sec. 525. Accounting and management of National Guard and Reserve personnel performing active or full-time duty.

Sec. 526. Waive requirement that Reserve chiefs and National Guard directors must have significant joint duty experience.

Sec. 527. Extending age limits for Reserve and National Guard general and flag officers.

Sec. 528. Expanded use of Reserve component members to perform developmental testing and new equipment.

Sec. 581. Release of taxpayer addresses to help locate individuals with military service obligations.

Sec. 582. Alternate initial military service obligation for persons with specialized skills.

Sec. 583. Basic training requirement for certain members with specialized skills.

Sec. 611. One-year extension of certain bonus and special pays for Reserve Forces.

Sec. 612. Bonus for officers to serve in the Selected Reserve in a critical skill or manpower shortage.

Sec. 905. Chain of succession for the Chief, National Guard Bureau.

Sec. 1042. Establishment of auxiliaries within the military departments. Additional legislative proposals not part of S.2229

Improved involuntary access to Reserve component members for enhanced training.

Extension of payment for Federal Employees Health Benefits Plan (FEHBP) for mobilized Federal employees.

CONCLUSION

This administration views a mission-ready National Guard and Reserve as a critical element of our National Security Strategy. As a result, our RCs will continue to play an expanded role in all facets of the Total Force. While we ask our people to do more, we must never lose sight of the need to balance their commitment to country with their commitment to family and to their civilian employer. That is why rebalancing of the force is so critical, the continuum of service is so crucial, and relieving the stress on the force is absolutely essential.

Thank you very much for this opportunity to testify on behalf of the greatest Guard and Reserve Force in the world.

Senator CHAMBLISS. Thank you, Mr. Secretary.

Senator Nelson and I, along with other Members of the Senate, have had an opportunity to visit with our guardsmen and women, too, and they are doing a terrific job. I have found the morale of those individuals that are serving to be very high.

However, when you talk to their spouses, who have all of a sudden been cast into the role of paying bills when they've never done that before, who are having to worry about a flat tire when they never had to worry about that before, who are having to worry about making sure that their kids get to school on time every single day and that they get to work on time every day, it becomes another issue. I know you do surveys and counseling from time to time with families of deployed individuals. I'd like to hear the good side of it, with respect to what you heard from the troops, but, also, an opportunity to engage with spouses of those deployed individuals. What's their reaction to these long-term deployments?

Mr. HALL. I have had the opportunity to visit with the families. I conduct a town hall meeting each and every place I go, and I invite the families. I have gone to deploying troops in which they have brought their families together, and I spoke with them about the challenges. Of course, during my active-duty service, my wife had to cope with deployments, but we had an active-duty base where we generally lived around, so we were located near that base, where we had a support mechanism.

The challenge for our Guard and Reserve is that they're dispersed throughout the country, and they're not near an active-duty installation that might have the support facilities. I would ask my colleagues that follow to talk to you about their individual programs.

From our perspective, we are dedicated to ensuring that each and every spouse of every deploying trooper is contacted during or before that deployment by someone to say, "I am your support system." The manner in which we do that is to take a joint approach, since, in many places, we don't have the exact unit that you're serving in. The National Guard has over 400 family service centers throughout the country. We have 700 total if you add the rest of our Reserve components. Certainly within the radius of those 700 centers, there's going to be someone that can help you.

I applaud General Blum's efforts to try to draw together a headquarters in which we will have representatives from all the Services that can help with the spouses out there and also with jointness within the individual States.

About 2 years ago, we also established a Web-based system where we have counselors and advisors 24/7 that can answer questions that you might have if you're a spouse left behind, on any topic. What we've also done is go to the deploying troopers, and we've laminated a card, and it gives that telephone number that you're supposed to call and assuming they take it home to the spouse—"Here's the number to call." We also have a Reserve Affairs Web site that we operate which has useful tool kits of data at www.defenselink.mil/ra/familyreadiness.

I think I will leave it to my colleagues to talk about their individual programs. What I want you to know is that, based on my own long military experience, the support of those families and children during their hour of need when their members are gone is absolutely critical, and we're dedicated to continuing the programs that I mentioned.

Senator CHAMBLISS. One of the issues that we continue to talk about as we moved through the authorization process last year as well as this year is equalizing benefits between the Guard and Reserve and Active Force. While we never will get to the point to where they're totally equal, and probably shouldn't, there are certain things that we feel are important, from the standpoint of morale, and also recruiting and retention in order to give you the assets and tools you need.

In your written statement, you referred to the RAND study that's currently being conducted regarding the impact and costs of reducing the age at which reservists can collect retirement. This has been a much-asked-for issue on the part of reservists. The downsides of reducing the age to 55 include higher cost to the government and perhaps service members staying in longer and, therefore, preventing promotion opportunities for more junior personnel. However, there is an intangible benefit, which I'm not sure the RAND study will study, and the cost of it taken into account, and that is the benefit to the Reserve and the cost savings achieved by giving people an incentive to stay in the Reserve for a longer period of time. It seems this would likely save money by retaining our most well-trained people, thereby having fewer new people that we have to train to replace them.

Can you comment on the likely cost savings that we may achieve through increased retention of more senior officer and enlisted personnel?

Mr. HALL. We believe, and I believe, personally, very strongly, that we need to take a very broad look at our pay, benefits, and compensation. Anytime we get ready to change that system, such as the 55-year retirement or other kinds of proposals that have come forward, we need to ask, whether or not the intended consequences of that target those bearing the brunt of service today. We have about 130,000 of our guardsmen and reservists between the ages of 55 and 60; 30,000 of those are still serving. They're ones that are dedicated Americans that have already served, but they're not the ones that are deploying today.

The RAND study is about 1 year into its 2-year study. Preliminary results tell us that our younger guardsmen and reservists serving today who are 17- to 30-years old, heavily discount deferred compensation. It is not something which is important to them for recruiting and retention. What they put a high price on are the kind of benefits that we can give them and their families today to enhance their service today.

We want to make sure that if we make any changes, if the top line remains the same, and if we only have a certain amount of money to spend, that we target it towards those serving and bearing the brunt today. We believe that some of the proposals with TRICARE and 55-year retirement do not do that. They are very costly, and they do not have an impact on the recruiting and retention of the people that we need to retain. Many of those people that would be affected by the early retirement are military technicians that are very valuable, that serve between the ages of 55 and 60.

As a bottom line, Mr. Chairman, I think we need to be very careful and target the limited funds that we have to support those bearing the brunt today, instead of deferred compensation. I would like to incentivize people to stay longer, rather than leave earlier. People are healthier so we can use them. I think incentives ought to be towards staying longer, rather than leaving earlier.

Senator CHAMBLISS. Speaking of TRICARE, Senator Daschle and Senator Lindsey Graham appeared before this subcommittee at a previous hearing and made a presentation on their proposal to make TRICARE available to our guardsmen and reservists. That's an issue that we'll be discussing as we move through the authorization process.

In looking at the budget from DOD, there were no initiatives that were forthcoming in this area. In your statement, speaking on behalf of DOD, you state your intent to implement section 702 of last year's National Defense Authorization Act, which does allow TRICARE enrollment for Reserve component members who are unemployed or ineligible for employer-sponsored health benefits. When do you expect section 702 to be implemented?

Mr. HALL. Dr. Winkenwerder, the Assistant Secretary of Defense for Health Affairs, whom I believe you have spoken with and I have talked with as recently as this week, states that they are moving forward to implement that as soon as they can. They have not given me the date, but I am convinced that they are moving forward on that.

If you wanted to talk a little bit about the other provisions, such as TRICARE, we can, or we can defer that, because I have a few

comments on what Congress passed last year and how we're proceeding on the other provisions.

Senator CHAMBLISS. I think it's such a critical issue. Anything you want to add or address, we would welcome.

Mr. HALL. There are a couple of areas. The TRICARE demonstration program that has been in effect for a couple of years, has been exceptionally well-received, and I thank you for that. It extends for people that are in the current mobilization where our guardsmen and reservists and their families have the opportunity to waive the non-availability statement, and waive the $300 co-pay, and they have the opportunity for 115 percent pay on and above TRICARE.

Beyond that, the provisions that you mentioned, from 702 on down to 708 last year, were very helpful. In particular, having 180 days in which a guardsman or reservist and their families may be cared for after he or she leaves service, allows them to transition to their civilian policy and their job, and is very helpful. This is the same as for the active-duty personnel. That's already implemented. The rest of the provisions, which involve up to 90 days prior to your deployment, in which you and your family may be treated is in the process of being implemented.

What I believe you provided was a framework which the DOD is working hard to implement. There are some ending dates for some of the provisions, such as December 31. I think we should consider extending those dates. That's certainly your judgment on that, but I think we have an adequate TRICARE implementation from last year, and an adequate bill, and perhaps it could be extended. But I do not see, at this point, that having TRICARE for non-mobilized personnel all the time in a drilling status is the wisest use of our funds. I think it's adequate now. Perhaps the provisions could be extended. We need to work very hard to implement all the provisions as soon as we can.

Senator CHAMBLISS. I would encourage you to do that. There were reasons why that was part of last year's Defense Authorization Act. We need the DOD to act on that. We made a commitment to the guardsmen and reservists, and we need the DOD to move.

Mr. HALL. Sir, I think Dr. Winkenwerder has received your message loud and clear. I will continue to relay your message, and I will support its rapid implementation. Since my portfolio is the Guard and Reserve, I'll continue to support that.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

The statistic of 130,000 Guard and Reserve personnel being between the age of 55 and 60 means that in the near future, 9 percent of the Reserve component members will be retiring. Is that your understanding?

Mr. HALL. Yes, sir.

Senator BEN NELSON. Recruitment and retention of the below-55 members is going to be extremely important, and that's why I applaud your efforts to try to make sure that the compensation and benefits are competitive with the outside world, in terms of employment. It's also why we have to work on some sort of rebalancing of the Guard mission.

In rebalancing the forces, Secretary Rumsfeld, in July 2003, issued a memorandum. One of the objectives contained in the

memorandum was to, "structure forces in order to limit involuntary mobilization to not more than 1 year every 6 years." It appears that the objective is designed to provide some degree of predictability to those who choose to join our Guard and Reserve Forces.

In spite of the well-intentioned effort here, I've heard this concept described in two rather inconsistent ways. One description is that it is, in a sense, a limit. Guard and Reserve personnel can plan on no more than a 1-year mobilization in a 6-year period, barring extraordinary circumstances, when, of course, they would do whatever our national security might require. The other interpretation, which I received recently when I was back home, was that Guard and Reserve personnel should expect to be mobilized 1 year in every 6. The Guard member talking to me about that said that explaining to an employer or a spouse that a service member expects to be deployed is quite different than explaining that if he or she is deployed under normal circumstances, it wouldn't be more frequently than 1 year every 6 years.

Do you know what the DOD position is on that? Is it a limit, not to expect it? Or is it an expectation to expect it? Maybe you can help.

Another objective stated in the Secretary of Defense's memorandum was, "structure Active and Reserve Forces to reduce the need for involuntary mobilization of the Guard and Reserve. Eliminate the need for involuntary mobilization during the first 15 days of a rapid-response operation." I would like to have you explain the first quote, if you can; and then approach the second quote.

Mr. HALL. I certainly can, and I'm happy to do that. I'm very familiar with that memo.

First let me say, both of those are planning factors; they are not policy, and they are not and should not be taken so. To answer our guardsmen and reservists, they should not expect an interpretation of those. Those were planning factors.

The genesis of it was the following. The Secretary of Defense asked us to look at how many times we had mobilized over the past 13 years. We've mobilized our Guard and Reserve eight times over the past 13 years. He asked us to look within those mobilizations to see how many times we mobilized people two, three, and four times, because that puts a great deal of stress on the employers and families. We found out that a small group went two, three, and four times.

Senator BEN NELSON. Was that because of the skill sets that they had?

Mr. HALL. Yes.

Senator BEN NELSON. Was it transportation or something of that sort?

Mr. HALL. Yes, sir. I was just getting to that. That's about 28,000 of them, 3 percent, and we discovered it's all the same skill set. It's civil affairs, it's mortuary units, it's force protection, and it's air-traffic control. While it's a very small amount, if we continue to mobilize them, then we're going to have problems. He therefore asked another question: How many of our Guard and Reserve have we used since September 11? We have used about 37 percent, but we have 63 percent that we have not used. So it's as important to look at the ones that we have not used as it is to look at the ones

that we have used, and then come to some conclusion: Do we need to rebalance?

So we went to the Services and asked, "Given a planning factor of one in six"—he said, it might be one in four; it might be one in five—"why do we have to, every time we have a crisis, in the first 15 days call up the Guard and Reserve? We have 1.4 million active duty. Can't we handle each and every crisis without always having to go to the Guard and Reserve? Are you going to be able, with your Active-Duty Forces and Guard, to restructure your force so that we can provide predictability?" You hit upon it. Predictability is the most important thing. I know my own family wanted to know when I would be deployed, how long I was going to be there, and when I was going to be home. An employer wants to know that. The Services have looked at it and said, "We think we can rebalance." Some of them differ somewhat on the one in five, and one in six. Perhaps that's a stress point. We don't know whether if you're told once in every 6 years, you're going have to go for 6 months. We don't know whether that's too much stress or too little. Without performing an analysis and developing the metrics, we have nothing to work with.

So, in 2003, we have rebalanced about 10,000 billets. In 2004, we're currently rebalancing 20,000. Now there are 20,000 in the budget that's before you. We have about 50,000 more to go. As we rebalance the 100,000 or so billets in these critical skills, build more civil affairs, and build more military police, then we won't have to go to the well in those critical specialities. We hope to tell a guardsman and reservist some idea of what, in a normal circumstance, would be a requirement for mobilization.

We're using them as planning factors. From that, we hope to develop predictability models. That is what I say to the guardsmen and reservists—and, by the way, I think guardsmen and reservists expect to be called up whenever their Nation needs them. That's the kind of young men and women they are. They will do whatever.

But they do want to know, so they can work with those employers. That's the reason for the memo, and that's its genesis. We're about halfway through that rebalancing effort, and next year we expect to get the remainder of it, and develop the type of force that we need.

Senator BEN NELSON. Right now, the Guard and Reserve units that you've described, with the skill sets, are first-line.

Mr. HALL. Yes.

Senator BEN NELSON. That's a layer. They're the first ones to come in. Are you working to have it more of a tranche that goes down alongside? In other words, they can be for excess requirements or for additional surplus. They are complementary as well as supplemental, as opposed to front line. If somebody is in the civil affairs and has a skill set in that unit, they know that they'll be called to duty if we go above a certain level of Active-Duty Forces, as opposed to you're going to deploy every time, having multiple deployments because we haven't rebalanced yet.

Mr. HALL. We're approaching it in a couple of ways. First of all, we're not transferring large amounts to active duty from the Guard and Reserve. We're rebalancing within the active, and rebalancing within the Guard and Reserve. What we're doing, particularly

within the Guard and Reserve, is creating a larger base to draw from, so if you build more civil affairs people, then you don't have to go to the same ones each and every time. We are rebalancing, not by transferring between components, but within the components, to provide a larger base.

Plus we have a lot of excess artillery because of our strategy. My colleagues can give you some examples. We're creating 18 provisional military police battalions from those artillery battalions training out in Fort Leonard Wood. They're provisional for a couple of years. They will have a Military Occupational Specialty (MOS) if later on we need to move them back the other way. We're hedging against the requirements, and creating a larger base to draw from; thus, not stressing the same individuals all the time.

Senator BEN NELSON. I understand that, but it seems to me that we're setting it up, therefore, to be that the Guard and Reserve units are not supplemental; they're going to be primary. It's just whether you have enough of them so they don't have a multiple deployment. I was hoping that you were going to find a way to absorb some of those skill sets in the Active-Duty Forces so that the Guard gets called in those unusual circumstances where you need more personnel, not because you need their particular skill set so that they can count on being called up on any emergency. I'm a little troubled. I think a tranche approach, as opposed to a layer approach, would seem to me to make more sense, so that you don't have to call on them until you get to the point where you've exhausted all the active-duty troops. Otherwise, we're setting up where they can expect a call-up, as opposed to not expecting a call-up unless circumstances are so dire, or sustained use, of active-duty troops would require them to come in and provide some support.

Mr. HALL. It's a point well-taken, and it echoes Secretary Rumsfeld's concern about needing to build more civil affairs capability within the active-duty, so that it is there to be used, and we would only go to the Guard and Reserve after we've used that up. There's another way in which you can do it. We have later-deploying Active-Duty Forces for other contingencies that could be moved forward. You certainly incur a risk, if they're designed for another contingency. But if you assess that risk, then you can move them forward, and use them in the early stages, and you would not have to go to the Guard and Reserve each time. His concern is exactly that. Civil affairs, for example, is an ideal mission for the Guard and Reserve, because those kinds of people do that in their civilian jobs as city managers, etc. It's ideally suited to the Guard and Reserve. It's a little more difficult on the active side to maintain those skills. But we're looking at accomplishing what you want as part of this rebalancing.

Senator BEN NELSON. You'd better tell the people who are in civil affairs that you're more likely to get called up because of what your skill sets are. Perhaps, depending on the unit and their particular skills, some are less likely to be called up than others. If we're dealing with expectations, I think we have to deal realistically with what those expectations are up front. Otherwise, I don't think it's being fair to the Guard and Reserve units, and we want to be fair, and I know you do too.

Mr. HALL. Yes, sir. I agree. I think my colleagues can also elaborate somewhat on their approach to the expectations of the individual components. I concur with you.

Senator BEN NELSON. I have another question, but I think what I can do is perhaps ask some of the other members of the panel. That'll deal with the use of Guard and Reserve units more for homeland defense. It doesn't downplay or in any way denigrate their service to the country, but it probably has a greater impact on homeland security, rather than having them the equivalent of an Active-Duty Force, one that's only home for a period of time until they get called up again so that they need to consider themselves active duty, just not called up at the moment. I don't think that's what they're signing up for. We can really deal with expectations in a realistic fashion in a fair way.

Mr. HALL. Yes, sir, I would certainly think that General Blum and General Schultz and our National Guard, which is ideally positioned in every State for homeland security, would be happy to discuss some of their views on how our Guard Forces might be used for homeland security, as well as multi-missions that they have.

Senator BEN NELSON. As former governor and the titular head of the Guard in Nebraska, I appreciate those thoughts, because the homeland defense is nothing more than home-town and home-State defense when it comes down to it. So thank you.

Thank you, Mr. Chairman.

Senator CHAMBLISS. Thank you.

Senator Dole.

Senator DOLE. Thank you, Mr. Chairman.

Secretary Hall, many of our Guard and reservists, who are called up, are either working for small businesses or they are small-business owners. Given the historic magnitude of the activations and the substantial economic ramifications from that, would you outline for the subcommittee how you prepare these small business owners and employees for the possibility of 12 to 18 months away? How do you do that before they're activated? How do you do it after they return? What's the plan?

Mr. HALL. It's good to see you. I didn't see you come in, I'm sorry. I was in the great State of North Carolina, and had the opportunity to go and talk to some business owners. I went to New Bern, North Carolina, which I hadn't been to.

Senator DOLE. Thank you.

Mr. HALL. I talked to a town hall meeting and a couple of groups, and one of the young men—they're all young to me today—came up and said, "I own a company. There are five of us in the company. I'm the owner. I'm in the Guard and Reserve. My number two is in the Guard and Reserve, and we're both being called up, and there are only three people left in my company." You have the very problem that we have, in dealing with employers. The large companies such as Home Depot, that has 1,800 people mobilized, Mr. Nardelli does—do not have the same challenge as people with practices, that are gone, and have small businesses. We're looking for ideas, and trying to work with them to see what we can do.

Senator DOLE. North Carolina is a State of small businesses.

Mr. HALL. I asked the owner of this company in New Bern, "What are you going to do?" He said, "Well, the three others are

going to carry on, along with hiring some temporary employees." I think it is an area where we need to work with them, and try to do what we can. There are a number of ideas and proposals for tax breaks for companies. These are potential areas and ideas that we could float around. I think our largest challenge is not with our big companies. Also, I would mention doctors and perhaps attorneys who have practices, because when you leave, your clients have a tendency to go somewhere else.

Senator DOLE. Right.

Mr. HALL. We're working as closely with them as we can. We're also always examining potential legislation and other things that we can help them with.

Senator DOLE. Okay. Several weeks ago Dr. Chu was here, and he talked about the implementation of the Defense Integrated Military Human Resources System (DIMHRS) that will include every Guard and Reserve member as an integrated part of the DOD database system.

Mr. HALL. Yes.

Senator DOLE. The target date for that, I believe, is the first quarter of 2006. In your opinion, will DIMHRS resolve the recordkeeping discrepancies that we've been dealing with, that continue to plague the Guard and Reserve members? Do you think that's going to take care of it? How do you propose to resolve pay problems in the interim?

Mr. HALL. Yes, ma'am. The need for this has existed for a long time, including the time that I was on active duty. You're quite right, the initial operating capability of the DIMHRS is 2006, with a full operating capability in 2007.

In the meantime, we have a more pressing problem, and that is with pay. I believe we have a commitment to pay, accurately and quickly, our Guard and Reserve and our active-duty; therefore, recognizing that, there's an initiative that will speed up the common-pay system, not the personnel, and it's called "forward compatibility pay." I met with that group a month ago, and they're going to back up to initial operating capability, in 2005, a pay system that will make a common pay system, and continue to work on getting the personnel system down the way.

Senator DOLE. Right.

Mr. HALL. In addition to that, the problems we've experienced, which you're well aware of, with paying some of our Guard and Reserve are recognized. Earlier in the year, we mobilized some military pay companies. We asked the Defense Finance and Accounting System (DFAS) to hire some more people, and to attack that problem. We are committed each and every time we hear of a pay problem. There are some more initiatives to speed that up, and when DIMHRS is fully implemented, it is the long-term answer. However, we need to do something quicker, so we're going to work on pay, and we're not going to wait until 2007. It will reach Initial Operating Capability (IOC) next year.

Senator DOLE. What about reenlistment incentives, and the difference between the two? What's available to National Guard soldiers is different than the Reserves. What is the National Guard doing to address the difference? How can the Senate assist in this?

I'm wondering if there's any reason why the statutory limitation should not be changed?

Mr. HALL. Generals Blum and Schultz and James can talk about what the National Guard is doing in particular on those programs. I think what we attempt to do is to recognize that there is a difference in the type of service. Being unequal is not necessarily unfair. Our bonuses and our pay should characterize the nature of service. Certainly this is not your grandfather or your father's Guard and Reserve, and people are serving longer periods of time. But, still, the difference between being part-time and full-time, it's somewhat blurred. We have to recognize the type of service, and ensure that our bonuses and pay recognize it. I think they do fairly. As for the exact approach of the Guard and Reserve on bonuses, I would defer to the next panel.

Senator DOLE. All right, thank you.

Thank you, Mr. Chairman.

Senator CHAMBLISS. Mr. Secretary, is it correct that 20 to 25 percent of the current deployed troops in Iraq being Guard and Reserve, and also that by the time the next rotation is complete at the end of this year, that that figure will rise to as much as 50 to 55 percent?

Mr. HALL. I think a figure of closer to 40 percent is what we're going to grow to within the Guard and Reserve Forces. That is the number that I've been working with. I have not heard as high as 55. I think it's safe to say, with the upcoming OIF rotation, 40 percent of our forces will be Guard and Reserve.

Senator CHAMBLISS. Even though you're rebalancing the force and you're trying to make do with what you have, I'm a little bit concerned about the answers to some of your questions today relative to deployment, relative to benefits. I hope that there's a lot of thought process going on every single day as to how we're going to make sure that we're treating our current guardsmen and women and reservists fairly and equitably, and that we're committing the resources to them that really need to be committed to them, and also that there is planning on the part of your office for how to implement these benefits that have already been provided. I can tell you that there will be additional benefits given to guardsmen and reservists during this authorization process.

There's a challenge out there to make sure that we have these men and women very well-prepared when they're called on. We know they're going to be called on. I would just ask that your office continue to rethink the process of providing these additional benefits that have already been provided and that will be provided, and that we make sure that we're treating these men and women, and their families, in the way that a consensus of the Members of Congress want them to be treated. I don't think that's any different from what folks at DOD think. I am a little bit concerned that we're not moving at the rate and in the direction that I think Congress has asked the DOD to proceed with respect to our guardsmen and reservists. Is there anything else?

Senator BEN NELSON. I have one final thought. In terms of the compensation, to be fair to our Guard and Reserve units who are deployed, we've proposed, and I would hope that DOD would support, the equivalent of a 401(k) deployment fund. In other words,

it would permit Guard and Reserve men and women to put aside money with favorable tax treatment, so that at the time they're deployed, they can pull it back out and supplement their income. In other words, it's really providing for that day of deployment. Others might consider it a rainy-day fund, but this is a deployment fund that would benefit particularly those individuals in practices or who have businesses that would see a sizeable reduction in their pay and their income due to deployment. This would at least help them average that out so that they get it done. When we proposed that last year, it got to the Finance Committee, and I think it died. If we had the active support of DOD, I don't think it would languish; I think it might actually see the light of day, and I think it would be very beneficial to a number of our members of the Guard and Reserve units.

Mr. HALL. Yes, sir.

Senator CHAMBLISS. Secretary Hall, thank you for your testimony. There may be additional written questions that will be submitted to you by these three Senators, as well as Members who could not be here. We'd ask that you please get those responses back to us as soon as possible.

Mr. HALL. Yes, sir. I appreciated having the opportunity to be with you and speak to the Senate Reserve Caucus, and I thank you for that leadership.

Senator CHAMBLISS. We appreciate that you were there the other day, and did a great job speaking to us.

Mr. HALL. I'm going to stay with my colleagues here as they testify.

Thank you very much.

Senator CHAMBLISS. Great. Thank you.

I'd now like to welcome our next panel, Lieutenant General H. Steven Blum, who is the Chief of the National Guard Bureau; Lieutenant General Roger C. Schultz, the Director of the Army National Guard; and Lieutenant General Daniel James III, Director of the Air National Guard.

Gentlemen, if you all will please have a seat. Good morning. [Pause.]

Gentlemen, thank you very much for your service and your commitment to our country in these complex times that we're in today in the United States, as well as around the world. You and the men and women that serve under each and every one of you are doing a terrific job. From all Members of the United States Senate, we say thank you, and hope you tell them "job well done."

We appreciate your being here today, we have each of your written statements for the record, but we'd ask that you summarize that statement.

General Blum, we'll begin with you.

STATEMENT OF LTG H. STEVEN BLUM, USA, CHIEF, NATIONAL GUARD BUREAU, ARMY NATIONAL GUARD

General BLUM. Thank you, sir. Thank you, Mr. Chairman.

Senator Chambliss, Senator Nelson and other members of the subcommittee, thanks for the opportunity for providing General Schultz, General James, and myself the opportunity to come and testify this morning. We appreciate your appreciation of the tre-

mendous service of these young men and women that we've brought with us today.

Senator Nelson, you introduced two individuals. I'd like to complete the introduction, if I might. I have an Air National Guard member here who is a senior master sergeant. Drew, would you please stand. This is Drew Horn, from Pennsylvania. He has a distinguished record in both Afghanistan and Iraq, as well as back here at home, and he rounds out the joint team of the National Guard, Army, and Air. I completely appreciate your recognition of them today. [Applause.]

Ladies and gentlemen, your National Guard has three priorities. The first priority is homeland defense, which gets to Senator Nelson's issue right up front. We feel that homeland defense is our number one mission for your National Guard, both here, every day, 24/7, for the last 367 years. We intend to be your primary force, for governors, and as your first military responders that can be called up by the governor in any State or territory of this great Nation. We will not only be homeland defense forces. We see our homeland defense job being in two places, both here at home and abroad, simultaneously. What these great citizen soldiers and airmen have just come back from is really homeland defense in depth, or the scheduled away game, but we must, as you pointed out earlier, very well and rightfully be ready for the unscheduled home game at any given time or any act of nature, any reduced human suffering, or any natural disaster in which the governor may need to call military forces to supplement or support civilian forces in their State or territory.

The second priority is to support the warfighting. We are a dual-mission force. The Army and the Air National Guard are constitutionally established as a dual-mission citizen militia. In 1903, Congress made sure that the National Guard was available and able, and rightfully so, because of the experience of the Spanish-American War and the Civil War in our own Nation earlier. Most specifically, because of some difficulties in the Spanish-American War, legislation was put in place to make sure that the Army National Guard and, subsequently, the Air National Guard, which didn't exist then, but now has a dual-mission, and serves as a Federal Reserve of the Air Force and the Army, National Guard serves as a Federal Reserve of the Army. We're quite proud of that. All of those skills, capabilities, training, and equipment are quite transferrable to use for responding to the governors. It actually is an enabler and an enhancer. I think it's great. It's what our Founding Fathers intended, that we would be a citizen militia Nation, and that we would never go to war without the American people behind it. Some people call that the Abrams Doctrine. I call that the Constitution. I think the Founding Fathers had that in mind, that we would never go to war as a Nation without our National Guard, we shouldn't, and we didn't, and I don't think we should in the future.

Now, to what degree we participate, how early we get in there, and how late we stay, is subject to debate by the national leadership. We were ready to respond and support the warfight anytime, anywhere.

Our third priority is to transform and change, so that we're relevant and ready for today and tomorrow, and not just a reenact-

ment group that has not changed from the past. Frankly, the National Guard has neglected changing for the last 60 years to the extent it should, not by its own fault. It did what it was designed to do; it did what it was asked to do; and it did what it was resourced to do. The statutes and policies were put in place for the National Guard to be a strategic reserve to be called upon only for something in the nature of World War III, to go overseas. We were resourced that way, and we were to be a cadre force with higher force structure allowance than end strength, which means some hollowness that would be filled up by volunteers or draftees, really. We haven't had a draft in 30 years, and we forgot to change anything when we stopped the draft. So our refill mechanism doesn't exist as it did, and our model is wrong for the way we're using the Guard today, and we'll need to use the Guard for the next several years. We need to transform from a Cold War deterrent structure that was a strategic reserve, to be an operational reserve, much like our Air National Guard, which, 20 years ago, the United States Air Force fully integrated as an operational reserve element. The Air Force uses the Air National Guard and the Air Force Reserve every day that ends with "Y" year round, whether we're at peace or at war. They know how to manage that cycle where it doesn't stress the force. The Army has now, in the last 2½ years, discovered the Army National Guard as an operational reserve, and they're trying to apply us as an operational reserve through the mechanisms of a strategic reserve, which is why the mobilization system is wrong for today and does need massive transformation. The process is archaic for the way we're using the Guard and the Army Reserve today, and the other Reserve component forces today.

Specifically, the mobilization process is most flawed when you talk about Army National Guard and Army Reserve. General Helmly will probably talk to that a little bit later, as well.

We need to move from that to what we need to be, and that means we need to transform.

To get to your issue, there was an issue several years ago of whether the National Guard was relevant. In less than 2 years from now, all eight once-considered-irrelevant Guard division headquarters will have deployed overseas. All eight. We will be starting our cycle for the second time around for those forces that were once considered to be irrelevant.

We have moved from being questioned as being irrelevant, to being essential, as you can see. Forty percent of the troops on the ground in Iraq at Easter of this year will be guardsmen and reservists. One-hundred percent of the forces on the ground in Bosnia, Kosovo, and in the Sinai will be Guard and Reserve. One-hundred percent. A significant number, approaching somewhat slightly less than half of the forces in Afghanistan will be Guard and Reserve. We are clearly an essential force. If we're going to be essential and if we're going to be necessary and relevant, and now people in the Pentagon, and DOD, and in Congress really need to see what some governors saw 5, 6, 7 years ago for homeland defense. They are now taking that very seriously since September 11. So in our national security strategy of 1–4–2–1, one being homeland defense, the National Guard sees itself as the primary first military re-

sponder in that effort. However, we'll need all the help of the Navy, Air Force, Marine Corps Reserve, and the Army Reserve, which are represented in this room, as well.

American citizens should get all of the capabilities that DOD can bring to the fight without turf and parochialism interfering. Hence, the establishment of a Joint Force Headquarters in every State and territory would facilitate that kind of a response. These headquarters would be under the control of the governors, but serve the combatant commanders of Northern Command (NORTHCOM) and the newly-established Office of the Secretary of Defense (OSD) for Homeland Defense, if Secretary McHale would need us to respond through orders to NORTHCOM. Then we have a mechanism to actually plug in your Army and Air National Guard assets to a Joint Force Headquarters.

Moving to the last part, the predictability piece, we need to rebalance the force and get the right "shelf stockage" so I have enough stockage on the shelf that I don't need to keep rotating the same item over and over and over; I can use it every fifth or sixth time, which gets us to some predictability model. No, sir, we have not guaranteed that you'll be called only in 6 years, or that you would be called every 6 years; it is to allow something that gives us a little bit of certainty and predictability in these uncertain and unpredictable times.

Lastly, we want to recognize that we're both deployable warriors for the overseas warfight, as well as guardians of our homeland. Most importantly, in the end it's all about people, and that's why it's so important that we have the opportunity to present these issues to this subcommittee and answer your questions.

Thank you, sir.

Senator CHAMBLISS. Thank you, General.

General Schultz.

STATEMENT OF LTG ROGER C. SCHULTZ, USA, DIRECTOR, ARMY NATIONAL GUARD

General SCHULTZ. Mr. Chairman, members of the subcommittee, thanks for your concern for our soldiers and their welfare, and for our families and their well-being.

Mr. Chairman, I am definitely honored to represent two soldiers here today who represent thousands around the world, and who have deployed in all corners of this globe. In particular, I believe we're indebted to what they have done in spite of all the systems, and all the processes that weren't necessarily as we would have hoped in place. You know the stories well, because you hear, from back home, without a doubt.

Mr. Chairman, since the September 11 attacks, we've called more than 175,000 soldiers from the Army National Guard to Federal duty. Today, we have 94,973 soldiers on duty. They have responded to every call. I am, indeed, proud to represent them here today. You must keep in mind, also, Mr. Chairman, that we are welcoming home thousands of soldiers from current duty around the world. As we bring home a number of our members, we are also deploying many of our members.

My point here in this brief opening is to say that while we didn't plan on soldiers responding on very short notice, but because of

their quality and leadership in their ranks, we were able to pull out some of the missions that we originally hadn't planned, in every detail. They responded to every aspect of the mission.

Mr. Chairman, readiness in the Guard has taken on a new dimension, and we no longer have time to take months of preparation and planning. This is a very different expectation, in terms of what we ask of our soldiers and our employers today, which puts a certain amount of stress in the way we go about our operation, and the way we go about our business.

My point is, we prepared for a very different war. Our units are not all designed as they ought to be. We have change on the horizon for the National Guard, and I will work with each of the adjutants general, and General Blum at the National Guard Bureau, no doubt, to line up with each State their current unit set so that we do address the homeland defense missions as well as the rest of the missions required by the Army.

Mr. Chairman, our priority is going to come down to this. As I'm talking with a soldier about to deploy to Iraq, his concern is not about a bonus; his concern is not about a policy that we may be debating here in Washington; he said, "General, what I want to do is bring the squad home safely." That is our priority.

Thank you.

Senator CHAMBLISS. Thank you, General.

General James.

STATEMENT OF LT. GEN. DANIEL JAMES III, ANG, DIRECTOR, AIR NATIONAL GUARD

General JAMES. Mr. Chairman, on behalf of the more than 107,000 men and women of the Air National Guard, I'd like to thank you for the opportunity to come and speak with you here today, and thank you for your support of our great Air National Guard, our National Guard, and our Services, in general.

This has been an incredible year for the Nation and for the National Guard. We've continued to actively participate in the global war on terrorism. We've done so with determination and pride, and continue to validate all things that we thought about ourselves as an organization. If we are trained and resourced to fight, we will deliver the mission as true professionals.

Our contributions over the past year have been astounding, especially when you look at OIF. We've flown over 111,000 sorties for over 340,000 hours, and we've activated, at our peak time, up to 36,000 members.

Of special interest to you, I'm sure, is that OIF was the first combat employment of the integrated 116th Air Control Wing, in Georgia, flying the Joint Surveillance and Targeting Attack Radar System (JSTARS). The wing leadership, the Guard, and active crew members all performed superbly. Except for some administrative issues we still have to clear up, they have validated the concept of a blended or integrated wing. It will work. It can work, and we're very proud of their performance.

We're currently working on a plan to posture the Air National Guard for missions our Nation will need in the future. We're currently reviewing the capabilities that we have, and those that will be required, for the air and space force of the future. We're already

well into developing initiatives that will allow the Guard, the Air National Guard, to participate in new weapons systems, like the F/A–22 and the RQ–1 Predator unmanned aerial vehicle (UAV). We're excited about the prospects of being involved in those new weapons systems, and working side-by-side, as we have so effectively in the past, with our active component brethren.

We're proud of our performance. We're proud of our individuals, because, as General Blum said, what this really is all about is people. We appreciate the support that you've given us through legislation and funding, so that we could do our job.

Some time ago, the Air Force decided that, as General Blum pointed out earlier, the Air National Guard and the Air Force Reserve deserved to be funded and resourced at a higher level than they had in the past. They were embraced as full partners in the total force, and we have performed up to their expectations. In order to continue to do that, we ask that you continue to support us.

Thank you for the opportunity to speak with you today.

[The National Guard 2005 Posture Statement follows:]

NATIONAL GUARD 2005 POSTURE STATEMENT

PROTECTING AMERICA AT HOME AND ABROAD

Executive Summary 1

Army National Guard

Overview 5

Support the War Fight 6

Homeland Defense 12

Transformation for the 21st Century 14

Air National Guard

Overview 21

Support the War Fight 23

Homeland Defense 26

Transformation for the 21st Century 27

Joint Staff

Overview 33

Support the War Fight 34

Homeland Defense 38

Transformation for the 21st Century 40

State Adjutants General 45

IN MEMORIAM

A Dedication

to the men and women of the

Army and the Air National Guard

who made the ultimate sacrifice while serving

the United States of America.

Lieutenant General H Steven Blum, Chief
National Guard Bureau

Overview

At no time in our history has America depended more on its Citizen-Soldiers. The strength of our National Guard, as always, is derived from the caliber of our Soldiers and Airmen. When we think about what our nation asks these young Citizen-Soldiers and Airmen to do for their communities, their states, and their nation, and how magnificently they have performed here at home and abroad, our hearts are filled with pride.

Our priorities and our vision focuses on leveraging the talents, the abilities, the selfless commitment and the enthusiasm of these Soldiers and Airmen. As Chief of the National Guard Bureau, my mission is to ensure that they receive the latest training, complete and modern equipment, and an organizational and command structure worthy of their mission and their service.

The National Guard will remain, first and foremost, a provider of ready, trained, and equipped warfighting units to combatant commanders through the Army and the Air Force. Notably, the Guard has always been, throughout its history, a force that spanned the continuum of what we define today as "Homeland Security," "Homeland Defense," and "Warfighting." September 11, 2001 has refocused us on our fundamental responsibility to defend the homeland—the original mission of the militia—and revealed the present day efficacy that the founders understood so well—that a citizen-based militia is the best force to protect the citizenry from which it is drawn.

The Guard is uniquely suited, like no other entity in the Defense Department, or indeed in the entire nation, to carry out that mission. No other organization has our combination of size, skills, training and experience, dispersion across the nation, command and communications infrastructure, and the legal flexibility to support civil authorities at a moment's notice. In nearly 3,000 communities around the nation, the Guard stands ready today—as it has since Jamestown was settled nearly 400 years ago.

Support the War Fight

Anytime, Anywhere

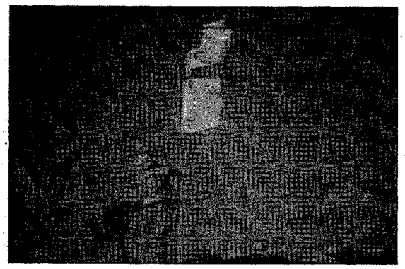
We, the Guard, must provide the kind of forces that America needs, when America needs them.

One of Secretary Rumsfeld's key mandates to the Services is to find ways to make the National Guard more ready and accessible in its federal warfighting role. Working in conjunction with the Army and Joint Forces Command, our goal is to dramatically improve the current mobilization

and demobilization process. Under current guidelines, it can take several weeks to months to prepare an Army National Guard unit to mobilize and deploy—compared to the Air Guard model where units deploy in a matter of hours or days.

We need to study and adapt the Air Guard model where possible.

We are working with the Army to change its go-to-war protocols. It is no longer practical to follow cold war regimens of train, alert, mobilize, train, certify, deploy. We must move to train, alert, deploy. By updating home station facilities, taking advantage of new technologies, and funding units at a higher level of readiness, we hope to create a new 21st century minuteman. The Guard must and will continue to operate across the full spectrum of national security missions. But, new asymmetrical threats call for a different kind of warfighter and different mission systems. We need to be smarter, lighter, more agile, and more lethal.



The National Guard force structure does not stand alone unto itself, but rather represents a 38 percent slice of the total Army and approximately 34 percent of the total Air Force. As ongoing operations abroad reveal the need to rebalance the types of units in the Army and the Air Force, the Guard will be a leader in embracing this change. Likewise, if studies indicate that Army divisions or Air Force wings are no longer needed, it is our view that we, like the active component and reserves, must change. We are working closely with the Army as we move to a balanced, modular force. Similarly, through Vanguard, we are working with the Air Force to meet the aerospace needs of the future.

Homeland Defense

Here and Abroad for over 365 Years

We are this country's longest lasting, longest serving military organization; we predate our nation. Today, the National Guard is ready to write a brand new page in its long and heroic history, and get the mission accomplished.

When you call out the National Guard, you call out America's joint home team.

The Guard was there when it was needed, demonstrating the flexible accessibility inherent in the unique multi-status roles of the Guard. Our Homeland Defense and Security roles mandate that we be capable of seamlessly operating in federal and state intergovernmental and interagency roles. September 11th and its aftermath are illustrative of the Guard's new operating environment and its unique flexibility to respond to our nation's needs.

Within 24 hours of the attack on the World Trade Center, 8,500 New York Army and Air National Guardmembers were on the streets of New York in State Active Duty status. Within 72 hours of President Bush's request to the Governors, Guardmembers were assisting civil authorities in protecting U.S. airports (USC Title 32 status). As security of our skies became paramount after September 11th, the Air National Guard logged more than 30,000 incident free, fully armed combat air patrol missions (USC Title 10 status) over the United States.

Congress funded the formation of joint Weapons of Mass Destruction Civil Support Teams within the National Guard beginning in 1999. These units were designed to provide direct assistance to civilian emergency responders in the event of a chemical, biological, nuclear or radiological attack upon the homeland. Few in numbers and still in their operational infancy in 2001, nevertheless it was one of these units—New York's 2nd Civil Support Team—that became the first organized unit of any military service or component to arrive on Ground Zero on the morning of September 11th, sampling the air to ensure that no biological or chemical contaminants were present.

Since September 11th, National Guard Weapons of Mass Destruction Civil Support Teams operate daily in communities throughout the nation. They are in a unique position to provide emergency community response with full communications capability to the local, state and federal levels. Moreover, they are actively involved in planning and integration of Guard assets in local and state emergency plans.

Currently, we have 32 fully certified Weapons of Mass Destruction Civil Support Teams. Congress recognized the urgent need to expand that number, and 23 teams are scheduled to stand up in the next four years, beginning with 12 this year alone. The Guard has initiated several dramatic new programs that will further increase and improve our Homeland Defense capability, while at the same time enhancing our ability as warfighters.

We are actively pursuing the following initiatives:

- Organizing 12 Enhanced Response Force Packages. These forces will consist of a National Guard Civil Support Team, an enhanced division medical company with a 150-person per hour decontamination and treatment capability, an enhanced engineer company with specialized search and recovery equipment, and a task-trained combat unit capable of supporting law enforcement. These force packages will meet a previously identified Northern Command request for capabilities.
- Expanding National Guard involvement in Ground-based Mid-course Missile Defense, Cyber and Information Operations, Space, and Intelligence Operations for both the Army and Air Guard. One model we hope to emulate is the Guard's highly successful experience in manning Nike missile batteries in the 1960s and 1970s. At that time, traditional and full-time Guardsmen served together in units under State control, with self-activating orders that automatically brought them into a Federal status when the enemy attacked.
- Creating National Guard Reaction Forces through dual missioning and training of existing units. These units will be immediately available to State and Federal governments and for Homeland Security purposes. They are already forward deployed throughout the United States. The units will retain full war fight and homeland security capabilities. These forces will also meet a previously identified Northern Command request for forces requirement.

We are expanding our interagency and intergovernmental efforts and look forward to increased cooperation between the National Guard, the states and the Departments of Homeland Security and Defense. We are participating in exercises and planning at state and local levels, and we have shared our Automated Exercise and Assessment System with them. We are working with the national emergency responder and management associations as well.

The National Guard has a significant number of units capable of "dual-use"—that is to say, the combat skill sets in these units are directly applicable to peacetime domestic support operations. We have developed a force management model that will help us to ensure that sufficient appropriate forces, properly resourced are available to the Governors for State, Homeland Defense and support to Homeland Security missions.

We will leverage the units, training and resources in our existing war fight capabilities to expand and enhance the roles we can perform in homeland security. We will make smarter use of force structure and make minor modifications to mission essential task lists to geometrically increase capabilities. We will provide homeland defense capabilities in force packages, built from standardized warfighting units. By doing this in our role as a state military force, we will raise the threshold at which commitment of federal military resources to non-warfighting tasks becomes necessary.

Transformation for the 21st Century

Relevant, Reliable, Ready and Accessible

Transformation is a state of mind. It is about how we think, organize and approach the future. We are transforming our headquarters and our capabilities to shape our future. We reorganized the National Guard Bureau from three separate organizations into

a joint organization effective July 1, 2003. We streamlined and flattened the organization, making it more efficient, capable, and aligned its staff functions and responsibilities with those of the Joint Staff and the combatant commanders.

We have undertaken aggressive employer and family programs. The three-legged stool of the Guard and Reserve–Service member, family, and employer—is only as sturdy as the weakest leg. We are talking with the nation's major employers and the states are aggressively doing the same with employers in their area. Our family program was the model on which the entire Department of Defense program was based, and we continue to work to address the information, emotional and support needs of our families. To that end, I have authorized a position in each state to specifically deal with employer support.

The State Adjutants General consolidated 162 State headquarters organizations into 54 doctrinally aligned Standing Joint Force Headquarters—creating, effective in October 2003, a single joint force headquarters in each state for all Army and Air Guard activities. This will ensure a rapid and coordinated response to any emergency, making the National Guard more versatile, relevant, and able to meet our national security challenges.

Our joint team will become seamless with the other five services—the Army, Navy, Air Force, Marine Corps, and the Coast Guard—and their reserve components as well. It will be capable of meeting active component requirements and serving as an integrator for active component and reserve component consequence management operations. Together with our sister services, we will fight and win this war on terrorism both here at home and abroad.

Readiness is a product of resources and training. We must focus our training on the myriad missions we will be asked to perform, and we—the National Guard Bureau—must obtain the resources necessary for the Soldiers and Airmen to accomplish the mission.

Some of the changes contemplated will require the cooperation of Congress in amending existing law.

Because of its increased relevance, the National Guard Bureau should be organized so that the senior officer of the Army and the Air National Guard of the United States on duty with the National Guard Bureau should become the Acting Chief if the office is vacant or if the Chief is absent or disabled. This change is necessary because of the elevation of the Directors of the Army and Air National Guard to Lieutenant General, without a concomitant promotion of the Vice Chief of the National Guard Bureau. Similarly, the Vice Chief of the National Guard Bureau should become the Director of the Joint Staff of the National Guard Bureau. This designation reflects the roles and functions of this individual within the National Guard Bureau's joint organization.

Conclusion

We are transforming the Guard in all domains—the way we fight, the way we do business, and the way we work with others—to provide the Guard America needs today and tomorrow.

Training must produce enhanced readiness, immediate accessibility, and individual and unit capability to conduct operations at home and abroad.

We have approached our transformation in an open, collegial manner, talking with all affected stakeholders including the Governors and working as a team—Adjutants General, National Guard Bureau, Army, Air Force, Office of the Secretary of Defense, the Joint Staff and others—to do what is right for America.

As we look forward to the new fiscal year, the National Guard is enthusiastically engaged in planning, programming, and executing the extraordinary changes that are ahead. We are evolving in ways that will allow us to accomplish our state and federal missions more efficiently than ever before, as we design mechanisms to seamlessly operate in the Defense Department, interagency, and intergovernmental environments.

The National Guard will continue to defend our nation, both at home and abroad, in both its state and federal capacities, as it has for 367 years. It will continue to serve as the reserve component without peer in the world. This is our birthright—it is the legacy of the Minuteman.

Lieutenant General Roger C. Schultz, Director
Army National Guard

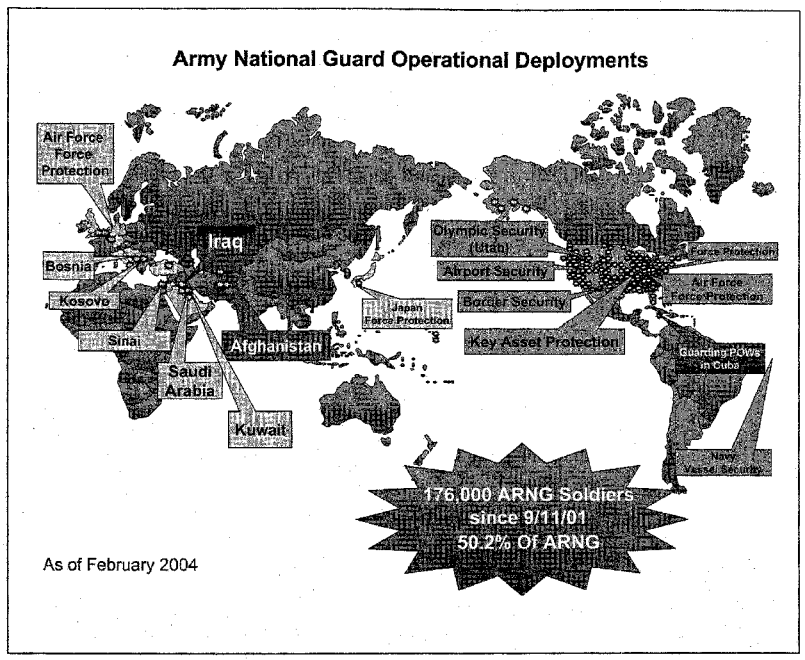
Overview

The Army National Guard stands with the Active Component as we wage war against the purveyors of global terrorism. Today, Soldiers in the Army National Guard have answered the call of the nation and are serving across the nation and the world. The Army National Guard, as an integral part of the U.S. Army, is transforming itself to better prosecute the Global War on Terrorism while remaining a ready and relevant force that is prepared to defend our homeland.

The Posture Statement provides the Army National Guard an opportunity to share with Congress what we have done in the past year and where we are heading in the future. The Army Directorate in the National Guard Bureau is responsible for how the Army National Guard supports the Soldiers, their families, and their employers in communities throughout the United States. Our Soldiers come from every state, territory, and segment of society, and we recognize that we support and are supported by those around us. The Army National Guard is a community-based military organization and, as such, we are prepared to assist our cities and towns in times of natural or man-made disaster. Army National Guard Soldiers are Citizen-Soldiers, and we recognize that we must fulfill dual roles as ordinary citizens and as members of the Armed Forces of the United States.

As the Army National Guard continues to protect our nation, the Chief, National Guard Bureau, has identified three priorities for the Army National Guard that will nurture this responsibility: Support the War Fight, Homeland Defense, and Transformation for the 21st Century. As our enemies seek ways to wage their war of terrorism in the United States and around the world, we are and must remain ready. The Army National Guard has proven itself capable of securing our borders while simultaneously carrying out a variety of missions across the globe. Our goals are to maximize our ability to support our Soldiers, protect our nation, and support the warfighters by providing a trained and ready force.

It cannot be stressed enough that the Army National Guard has an increased and more vital role in the U.S. Army than ever before. The U.S. Army is at the forefront of the conflict in Afghanistan and Iraq. As Reserve Components of the Army continue to deploy at increasing rates, the Army National Guard joins the Army in its objectives to remain ready and relevant in the midst of a war where our enemy is elusive. We are transforming ourselves into a more flexible, responsive, and capabilities-



based force that is able to seamlessly integrate into the larger Army. As the Army transforms itself from the Current Force to the Future Force, so will the Army National Guard.

The Army National Guard is ready for every challenge both here at home and abroad. We are not and cannot be complacent. The support we receive from our citizens, families, employers, and legislatures is invaluable. Our Constitution charges us to defend America, and we will do this with the same dedication and steadfast purpose as we have done for nearly 400 years.

Support the War Fight

The Guard Overseas

Not since World War II have so many Soldiers been activated for wars. The Army National Guard demonstrated its responsiveness by providing ready units in support of numerous overseas missions throughout 2003. These missions ranged from combat operations to Post-Hostility and Stability Operations. At the close of the year, 75,000 National Guardsmen were on active duty serving overseas. The year began with our Soldiers fighting in Afghanistan and ended with Soldiers from the Vermont and Oklahoma National Guard training the Afghanistan National Army. There

are just over 4,000 Soldiers in Afghanistan today. The war in Iraq required the activation of 69,380 Soldiers and there are just under 60,000 serving there today. The war in Iraq and in Afghanistan exacted a toll on our most precious resource, the Soldier. Understandably and regrettably there have been 60 Soldiers who have lost their lives fighting these two campaigns. The war in Iraq saw the activation of brigade size units, Attack Aviation Battalions, Combat Engineers, and Military Police. The Army has plans to schedule several more brigades and potentially a Division Headquarters for future rotations. Most Soldiers that were activated for the war served an average of 18 months, with 12 months of duty in Iraq. Related to the two overseas wars has been a demand on our Military Police units to guard the enemy Prisoners of War in Cuba. In addition to the direct role in the overseas wars, the National Guard remains the Army's primary force conducting operations in Kosovo, Bosnia, and the Sinai. Just under 6,000 National Guardsmen are there today. What were once active duty missions are now principally missions of the Guard.

There are two other noteworthy events for the Guard's overseas duty. The Army National Guard was given the mission to protect ships in transit to the Persian Gulf, and we also provided 9,000 Soldiers to the Air Force to protect their bases abroad and at home. These unplanned missions simply demonstrate the accessibility, reliability, and capability of the National Guard. Our overseas presence today is supporting missions on five continents, and the future demands a level of commitment similar to previous years. Not since World War II has our call to duty been so great. It is important to note that our total commitment since 9/11 has been a call to federal duty for 175,734 Soldiers. That represents just over 50 percent of our force of 350,000.

Readiness of the Force

Well before the attacks of September 11th, Army National Guard units were being mobilized more frequently. The Total Force Policy in the Army worked. During the Cold War period of our Army, the expectation of readiness for the Reserve Components was to be "generally ready for war." There were plans with TPFDDs and windows of time for expected deployment. The plan was to move to an active duty installation and then provide units with additional equipment and extra training. Since 9/11, that level of readiness and window of time have changed. Today our units are required to deploy at the highest level of readiness, and the time from notification to deployment is sometimes a matter of hours. In 2003, our units did extensive exchanging of Soldiers and equipment as they prepared for war in Iraq. We demonstrated flexibility, but placed unnecessary hardships on our Soldiers in the process. Soldiers went to war with equipment they had not previously trained upon. Thousands went to war with units other than their own. This method of exchanging resources after a unit mobilizes is not conducive to long-term success. Units must be manned, trained, and equipped before they get the call to go to war. Train—Mobilize—Deploy! The Army National Guard's level of readiness in the future should be *C1*, the highest level. The Army National Guard must modernize when the Army modernizes. We must raise the Full-Time Manning levels to *100 percent* of Requirements. Our failure to resource Army National Guard units for any mission will place undue hardship on Soldiers as they go to war.

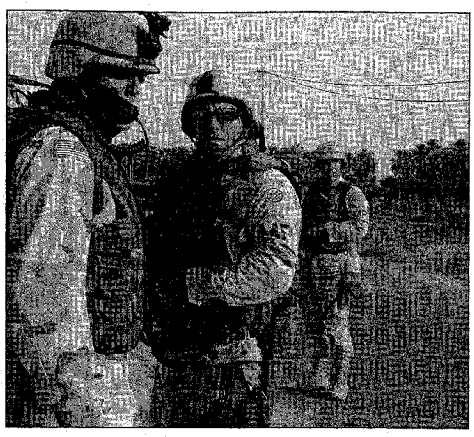
Medical and Dental Readiness

The Army and the Army National Guard have a vested interest in the care of Soldiers. The Army requires physical fitness prior to deploying to a war. Today's deployment timelines are shorter, and there have been some delays in our ability to respond to war because of the medical readiness of our Soldiers. Most, but not all, Soldiers have medical and dental plans. There are limits on the Army's ability to fix medical shortcomings after the Soldier is mobilized for war. We have experienced medical backlogs at some of the Army's installations responsible for providing medical treatment.

The future of medical readiness rests in providing complete medical evaluations prior to being alerted for war. We envision that each of our State's Joint Force Headquarters provide support in the initial care for Soldiers and refer Soldiers for medical support beyond their capacity.

The National Guard plans to provide peri-

odic physicals to its Soldiers. This will enable our units to transition faster from a state of peace to war. We also envision leveraging the medical capabilities of our communities to offset the shortages in military medical providers. Medical readiness and health care for our Soldiers are key variants to our ability to train, mobilize, and deploy in the fashion of a Minuteman.



Training Soldiers and Growing Leaders

Supporting the Warfighter will be best accomplished by training the force with an integrated training strategy for individuals, leaders, and units through live, virtual, and constructive training.

Throughout 2003, the Army National Guard prepared units and Soldiers for wars and responded to the nation's call for contingency operations. Our units trained at the Army National Guard Training Centers and the Army's Combat Training Centers. They participated in joint exercises and conducted training deployments overseas.

The key to training Brigades is to have them participate in the Brigade Command and Battle Staff training. Five brigades participated in this training in 2003. Seven of the eight Army National Guard divisions participated in the Battle Command Training Program at the Joint Readiness Training Center at Fort Polk in Louisiana in 2003.

The Army National Guard is committed to producing the best Soldiers. An excellent training venue is the Army National Guard training centers. These centers train Soldiers, simulate real-world conditions, and provide training enablers for the commanders.

Another way the Army National Guard achieves training excellence is through Distributed Learning. The Army National Guard's emphasis on Distributed Learning reduces the time Soldiers are away from their home stations, eliminates excess travel time and costs, and takes less time than training in a formal school setting. The goal of this program is to maximize training time by providing more local access to training and education at any time and at any location.

The Army National Guard's limited training time, training dollars, and sometimes access to training ranges has generated an increased reliance on low-cost, small-footprint training technologies. We have invested in a virtual training infrastructure to meet or exceed the Army's training requirements. As more missions such as homeland defense and weapons of mass destruction are required of the National Guard, the ability of our forces to respond requires that we are ready at all times. The following new virtual technologies are tools critical to achieving these readiness objectives:

- *Advanced Bradley Full Crew Interactive Skills Trainer*

  The Bradley Fighting Vehicle, an armored personnel carrier, is the primary weapon system of the U.S. Army Mechanized Infantry, as well as a critical system for the cavalry. The current force structure plans have the Army National Guard providing more than half of the U.S. military's Bradley Fighting Vehicle force. The Army Infantry School approved the Advanced Bradley Full

Crew Interactive Skills Trainer as a precision gunnery trainer. This is a low-cost, deployable training system that attaches directly to the Bradley and therefore does not require a simulated vehicle mockup, thereby better preparing the crew for live fire gunnery.

- *Abrams Full Crew Interactive Skills Trainer*

  The Army National Guard provides 54 percent of the armor force in the U.S. military. This equates to nearly 2,500 Abrams tanks with the vast majority being the M1A1 configuration. The Abrams Full Crew Interactive Skills Trainer is approved by U.S. Army Armor School as a precision gunnery trainer. This, too, is a low-cost, deployable training system that attaches directly to the Abrams tank and therefore does not require a simulated vehicle mockup, thereby better preparing the crew for live fire gunnery.

- *Simulations Network Rehost*

  In the mid-1980s, the Defense Advanced Research Projects Agency developed a new concept in simulation training called the Network. The goal of this trainer is to expose mounted combat forces to mock battles in an effort to develop tactical maneuver skills and improve situation awareness of commanders. This program provides a highly cost-effective means of providing basic tactical platoon-level training capability to a highly dispersed force. The Simulations Network units are platoon sets for the Abrams Main Battle Tank and the Bradley Fighting Vehicles. The National Guard's force structure accounts for approximately 50 percent of these mounted combat forces.

- *Table Top Trainers (M1A1 and M2)*

  The Table Top Trainer program is the linchpin of the National Guard's virtual training strategy. The ammunition and operational tempo cost to train this fleet exceeds $1 billion annually. The virtual training systems have been introduced to offset costs that were even higher in previous years. A single low-fidelity Table Top Trainer can be reconfigured to supply 60 to 70 percent of the associated skills training for Abrams Tanks, Bradley Fighting Vehicles, and Stryker Light Armor Vehicles. The remaining skills tasks can be trained in the available 25 percent training time in the high-fidelity trainers or through live fire events.

Combat Training Centers and National Training Center

In 2003, the Army National Guard sent over 28,000 Soldiers to participate in training at the Army's two Combat Training Centers. This training program cost $23 million but produced the most significant increase to training readiness for those units and Soldiers.

North Carolina's 30th Brigade formed the core of a 34-unit, 15-state task force comprising the 5,545 Army National Guard Soldiers who deployed to the National Training Center at Fort Irwin, California, in May and June 2003. This training rotation was the culminating exercise in an intensive four-year train-up. The North Carolina Joint Force Headquarters formed Task Force Tar Heel that served as the division headquarters throughout the train-up and at the National Training Center. The 30th and North Carolina's Joint Force Headquarters executed wartime mobilization tasks by deploying the entire task force's equipment and personnel from facilities across the country to Fort Irwin's desert environment.

During 2003, additional Engineer, Field Artillery, and Infantry units representing 3,732 Soldiers deployed to the National Training Center in support of Active Component rotations. These units served both as friendly and opposing force units integrated side by side with their active military counterparts. An additional 1,123 Soldiers assigned to Direct Support and General Support Maintenance Companies were sent to Fort Irwin to supplement maintenance and reconstitution operations.

Joint Readiness Training Center

In 2003, the majority of Florida's 53rd Brigade was mobilized and deployed to Iraq. In preparation for this mission, they underwent training at the Joint Readiness Training Center. While there, they supported the train-

ing of the 10th Mountain Division, 7th Special Forces Group, and the 3rd Brigade (Stryker), 2nd Infantry Division.

Combined Arms Center

Through the Army National Guard's Battle Command Training Center, the U.S. Army's Combined Arms Center at Fort Leavenworth, Kansas, supported the 29th Infantry Division and 49th Armored Division during their Battle Command Training Program rotation in 2003. The training center also conducted twelve Brigade Command and Battle Staff Training Program seminars. Over 15,500 Army National Guard Soldiers participated in these training events.

Force-on-Force Training

The Army National Guard Force-on-Force Training Program supports the readiness of the National Guard's ground combat units. This program simulates battles that are fought using laser-targeting systems to replicate live ammunition. Some 2,080 Soldiers from Army National Guard divisions participated in Force-on-Force events in 2003.

In 2003, Army National Guard brigades participated in Battle Command Training Program staff exchanges, train-up exercises at the Combat Training Centers, and gunnery and divisional artillery training. A total of 30,034 Army National Guard Soldiers, 8 percent of the Army National Guard's endstrength, conducted training at or in association with the Army's training facilities at a cost of approximately $26 million. The payoff of this relationship is obvious. Three of these brigades, the 30th, the 39th, and the 81st were directed to prepare for war in Iraq. They will deploy there early in 2004.

Recruiting and Retention

The Army National Guard ended 2003 with 1,091 Soldiers above its endstrength goal of 350,000, a result of surpassing retention goals and retaining quality Soldiers. Despite the unprecedented challenges at home and abroad, the Army National Guard validated the three-tenet Strength Maintenance philosophy of recruiting, attrition management, and retention. The "Oath to Expiration of Term of Service" philosophy has helped to create a partnership with the units by building greater trust and cooperation between the recruiting force, the full-time support force, and unit leadership. The Army National Guard has developed numerous tools to ensure continued success:

- Highly successful advertising campaigns and recruiting initiatives that integrate the recruiting and retention force with traditional unit members.
- Dynamic recruiting and retention programs to highlight the relevance, features, and benefits of Army National Guard service to current and potential Soldiers.
- Soldier and family member feedback programs that assess unit environments and determine Soldier motivations for joining and remaining in the Army National Guard.
- Post-mobilization surveys and retention initiatives to facilitate the re-integration of the unit and its members following deployment.
- Post-mobilization "Freedom Salute" campaign to recognize Soldier, family member, and employer support of extensive overseas deployments.
- Development of Recruit Sustainment Programs to better prepare new Soldiers for initial active duty training and promote unit strength readiness.
- Attrition management/retention programs to educate leaders on caring for and mentoring Soldiers

in the high operations tempo environment of the Global War on Terror.

- Resource allocation that optimizes the effectiveness of the Strength Maintenance Philosophy and the teaming of the Recruiting and Retention Force and traditional Army National Guard Soldiers.

Selected Reserve Incentives Program

- Up to $8,000 Enlistment Bonus for Non-Prior Service enlistees
  - $3,000 for critical skill
  - $3,000 for non-prior service bonus
  - $2,000 for Off-Peak ship to training
- $3,000 Civilian Acquired Skills Program for NPS enlistees
- $2,500 for a first 3-Year Re-enlistment/Extension Bonus
- $2,000 for a second 3-Year Re-enlistment/Extension Bonus
- $2,500 for a first 3-year prior service Enlistment Bonus
- $2,000 for a second 3-year prior service Enlistment Bonus
- $50 per month for Affiliation Bonus (72-month maximum)
- $10,000 Student Loan Repayment Program
- $50,000 Health Professional Loan Repayment Program

Army National Guard Incentive Programs are currently undergoing review by program managers for potential adjustments to both the monetary amounts and the payment schedules of the various incentives. We believe these improvements are necessary to compensate our Soldiers, who are contributing to our nation's defense and deploying overseas on a continuous rotational basis. Our goal is to retain our Soldiers when they return.

Army National Guard Full-Time Support

Dedicated men and women who provide Full-Time Support to Army National Guard Soldiers are a critical part of the Army National Guard. They enhance readiness by assisting Unit Commanders in managing day-to-day requirements. In recent years, the Army National Guard has begun to expand its Full-Time Support force in order to better serve its Soldiers and the units to which they are assigned. To meet readiness requirements, the Chief of the National Guard Bureau, in concert with the state Adjutants General, has placed increasing Full-Time Support authorizations as one of the top priorities for the Army National Guard.

The National Guard Bureau will place new Full-Time Support manpower into our units or into positions that directly impact unit readiness. An example is the Military Technicians that will be directly placed into organizational maintenance shops. Junior enlisted grades will increase through fiscal year 2012 and will be applied to the unit level to accomplish many of the missions where it is not uncommon to find single Active Guard Reserve Soldiers working today.

Army National Guard Well-Being

The Army National Guard Well-Being Team works in concert with the Active Army and the Reserve as part of a holistic initiative to address various issues affecting Soldiers, families, retirees, veterans, and civilians. The initiative uses various methods to measure success, weakness, or failure in programs that affect the total Army force. Based on the outcomes of these measures, policies and programs are modified or assets are re-allocated to impact the total Army force.

Diversity Initiatives and Equal Opportunity

The Army National Guard Diversity Initiatives Team addresses demographic realities impacting the Army National Guard as a community-based force. The role of women in American society continues to evolve. More positions in the Army National Guard are open to women based on changes in force

structure. With the rapid advance in technology and changes in society, diversity also hinges on generational, technical, and cultural differences.

The Army National Guard Equal Opportunity Team proactively addresses team development and cultural exchanges to foster more productive units and Soldiers. Fundamental to the mission of the Army National Guard, the Equal Opportunity Office addresses issues that arise relating to race, color, gender, sexual harassment, national origin, and religion. The Army National Guard is steadfast in maintaining zero tolerance for all forms and types of discrimination. The Army National Guard will guarantee that all are treated with dignity and respect.

Homeland Defense

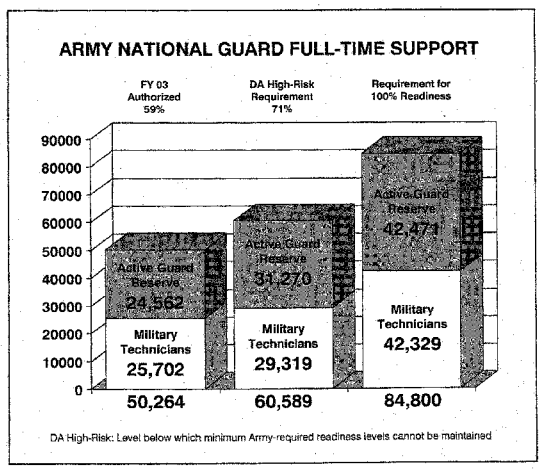
Domestic Operations

In 2003, the Army National Guard provided 419,463 mandays in 42 states, two territories, and the District of Columbia to state-level emergency support missions. The year began with Tropical Storm Lilli along the Gulf Coast that required 9,835 mandays for cleanup and security. Super-typhoon Pongsona hit Guam and required 18,822 mandays to provide traffic control, water, debris removal, and security.

The Army National Guard provided 318,131 mandays to Key Asset Protection, the most significant category of Emergency Support Missions. The Space Shuttle Columbia disaster demonstrated how quickly the National Guard responds from a "standing start." On the day of the disaster, thousands of Army National Guard Soldiers from five states were on duty, recovering and safeguarding debris. This mission required 18,816 mandays of support.

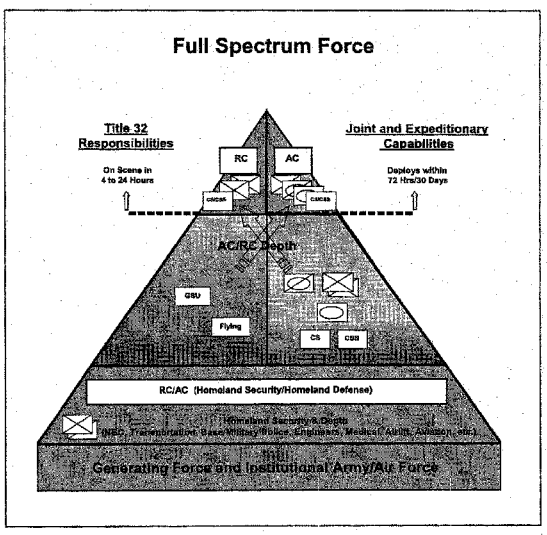
The Army National Guard also provided support to special events, including assistance to law enforcement for the Super Bowl and the Kentucky Derby. Support to governors in response to Hurricane Isabel ended a busy year.

The Army National Guard routinely performs training missions that simultaneously support and assist our communities. The Innovative Readiness Training Program required 205,000 mandays of support in 2003. Programs included improving schools and parks, building and repairing roads, administering immunizations, and providing medical care to under-served areas.



The California Army National Guard is leading an effort to construct access roads to the U.S.-Mexican border to assist the Border Patrol in dealing with the growing tide of illegal immigrants and narcotics. In Alaska, the Guard is leading a five-year project that will result in a 15-mile road connecting two villages on Annette Island, a trip that currently can only be made by boat. The Army National Guard in Maine, Colorado, Arizona, Illinois, North

Carolina, Texas, and Alaska conducted medical training exercises to provide inoculations, physician contacts, dental care, and optometrist services to under-served populations. Innovative Readiness Training projects benefit both the Army National Guard and the communities.



Missile Defense

Defense against ballistic missile attack is a key component of the National Security Strategy in providing for Homeland Security. The National Guard will play a major role in this mission as the force provider for the Ground-based Midcourse Defense system in the initial defensive operations/defensive operations phase per National Security Presidential Directive 23, dated December 16, 2002.

The National Guard received an increase of 100 in Active Guard and Reserve authorizations in the fiscal year 2004 President's Budget request to support this mission. Ground-based Midcourse Missile Defense is a critical element of the Administration's National Security Strategy and defense of the homeland. This program is continually evolving and undergoing refinement.

Continuity of Operations

The National Guard's Continuity of Operations Program was conceptualized in 1988 and took on added importance after September 11, 2001. In support of homeland defense, the Guard is utilizing this program as a means to ensure continuous command and control in case of emergency.

Executive orders, Department of Defense directives, Chairman of the Joint Chiefs of Staff directives, and Army Regulations require a Continuity of Operations Program. This protects key leaders; allows for the continuity of essential missions; provides for relocation sites; protects vital records and operating files; and ensures survivability, recoverability, and the ability to reconstitute. The National Guard has taken a three-level approach to achieving this end:

- The first level is the Headquarters Department of the Army Continuity of Operations Program that provides the active component with the Army National Guard leadership to support the War fight.
- The second level is the National Guard Continuity of Operations Program that allows both the Army National Guard and the Air National Guard to continue supporting the states and territories in the event of a national disaster.
- Finally, the National Guard is also providing the platform for the 54 states, territories, and the District of Columbia to develop their own Continuity of Operations Program initiatives to support both homeland

defense and the War fight at the state and local level.

The National Guard plans to exercise the Continuity of Operations Program at all three levels to ensure readiness and preparedness for any situation. Ultimately, Continuity of Operations Programs will ensure that no matter the situation, the National Guard will be ready to continue its essential missions.

Transformation for the 21st Century

The Army National Guard is changing. Although our forces continue to meet today's missions, tomorrow's force must be more versatile, ready, and accessible than ever before. They must continue to be capable of full-spectrum operations, but must be better equipped and trained to defend the nation. Future Army National Guard forces must be more interoperable with the Active Component and must be fully capable of operating in a joint or interagency environment. Finally, Guard forces must be postured to support long-term Stability and Support Operations, Peacekeeping Operations, and the missions of the newest Combatant Command, NORTHCOM.

In order to achieve these objectives, the Army National Guard must attract and retain quality Soldiers. We must train and equip them to accomplish the missions of tomorrow.

Force Balance and Restructure

The Department of the Army is revising priorities to better support the National Military Strategy. Under the direction of the Secretary of Defense, the Army is exchanging some formations from the Active Component and the National Guard. These realignments will better align the Army National Guard and the Army in supporting the warfighting and Homeland Defense missions.

Another significant aspect of this force balance analysis is an initiative by the Director of the Army National Guard to reduce the Army National Guard's force structure with its congressionally authorized personnel endstrength. This rebalancing effort will enable the Army National Guard to deploy units within five to 30 days because their readiness will be improved.

The results of force balance adjustments, coupled with the alignment of force structure and personnel endstrength, will allow the Army National Guard to provide divisions, brigade combat teams, and supporting forces that are ready and capable of supporting the full spectrum of military operations required by the National Military Strategy.

High Demand Units

Since 1995, the Army has placed a high demand on the Military Police in the National Guard. Beginning with missions to the Balkans, the rate of work for these units has only increased. Today they are used extensively in the Global War on Terrorism, principally in guarding prisoners. To reduce the stress on Military Police units, we have started to convert Field Artillery units into Military Police. Eighteen additional Military Police units will be organized in the next two years.

Modular Units

The Chief of Staff, Army, has directed a comprehensive reevaluation of the Army's corps, divisions, and brigade structures with the intent of making these units more expeditionary through modular design. Modular units will allow for a "plug and play" capability, which will enable the Army to provide the flexible mix of capabilities needed by the warfighter. The Army National Guard will adapt existing force structure to the new design envisioned by the leadership of the Army. Over the next few years, we will reconfigure existing brigades, including the 15 enhanced Separate Brigades, to the new Brigade Combat Team design. We will have 34 Brigade Combat Teams and 8 Divisional Headquarters that will be designed in an infantry and armored mix identical to the Active Component's. This modular capability will provide a new level of flexibility to our organizations as they support the full spectrum of military operations. Distribution of new capabilities will be equitable across the states.

Fiscal Year 2005 Army National Guard Equipment Modernization Shortfall List

- High-Mobility Multi-Purpose Wheeled Vehicles (HMMWV)
- Single-Channel Ground and Airborne Radios (SINCGARS)
- Night Vision devices
- Black Hawk utility helicopter
- Heavy Expanded Mobility Tactical Trucks (HEMTT)
- Small Arms
- Family of Medium Tactical Vehicles (FMTV)
- Javelin Anti-Armor Missile
- Thermal Crew Served Weapon Sight
- Movement Tracking System
- Enhanced Position Location Reporting System (EPLRS)
- Warlock Electronic Jamming Device
- Tactical Unmanned Air Vehicle (TUAV)
- M-22 Automatic Chemical Detector Alarm
- Prophet Signal Intelligence System
- Line Haul Tractor (M915A3)
- 22½-ton Trailer (M871A3)
- Dump Truck (M917A2)
- 34-ton Trailer (M872A4)
- Tactical Quiet Generators
- Secure Mobile Anti-Jam Reliable Tactical Terminal (SMART-T)
- Sentinel air defense radar system
- Howitzer (LW 155)
- Bradley Infantry Fighting Vehicle (M2A2)
- Hercules (M88A2 [heavy tank recovery vehicle])

Force Modernization

The Army's highest priority remains maintaining warfighting readiness. In support of this priority, the Army National Guard is pursuing a modernization strategy that will provide the nation with compatible, interoperable, and strategically relevant forces well into the future.

In the near term, we will ensure our Soldiers are equipped with essential force protection items such as the latest body armor with Small Arms Protective Insert plates for the outer tactical vests, the latest Night Vision Devices, and small arms. To enhance near-term readiness, the Army National Guard will focus on Army procurement of the Black Hawk utility helicopter, High-Mobility Multi-Purpose Wheeled Vehicles, Single-Channel Ground and Airborne Radios, Family of Medium Tactical Vehicles, and M-22 Automatic Chemical Detector Alarm.

In the midterm, the Army National Guard will ensure the Army earmarks sufficient funding to refurbish or recapitalize its current forces to ensure fleets viability over the next several decades and for future readiness and relevance. The Army National Guard will focus on Current Force systems to include our primary aircraft, the Black Hawk, CH-47 Chinook, and the Apache; the M1A1 Abrams Main Battle Tank; M2A2 Bradley Fighting Vehicle; M109A6 Paladin Howitzer; Heavy Expanded Mobility Tactical Trucks; and the 5-ton truck fleet. The Army National Guard will continue working with the Army to ensure program managers bring systems cascaded to the Army National Guard's Divisional and Corps troop units up to the required standard.

Army National Guard Aviation Modernization & Transformation

Throughout 2003, the focus of the Army National Guard aviation modernization and transformation efforts was directed toward completion of sweeping changes to unit organizational designs. Accompanying these widespread conversions

to the Army Aviation Transformation designs was the continued turn-in of obsolete UH-1H/V "Huey" (Iroquois) and OH-58A/C Kiowa series aircraft, and the fielding of the additional modern UH-60A/L Black Hawk and AH-64A/D Apache series aircraft. Unfortunately, while the Army National Guard net inventory of modernized aircraft increased by 8 Black Hawk and 17 Apache aircraft during fiscal year 2003, the resulting Army National Guard levels for these aircraft did not meet Army goals. In addition, most of the supporting or corrective actions scheduled and funded for 2003, such as increased quantities of special tools and spare parts, were effectively negated by the increased requirements for contingency operations in Afghanistan and Iraq. Based upon current projections, it is uncertain whether the originally scheduled fiscal year 2002 figures for the Black Hawk and Apache inventory in the Army National Guard will be reached by end of fiscal year 2004. Army fixed-wing aviation modernization efforts are underway to replace the Army National Guard's C-23 Sherpa cargo aircraft with a more robust and capable airplane.

Information Operations

Army National Guard Information Operations Field Support Teams assist the Brigade, Division, Corps, Joint Task Force, and Combatant Commanders in integrating full-spectrum offensive and defensive information operations, planning, execution, and assessment into their operations. Additionally, Army National Guard full-spectrum Information Operation Vulnerability Assessment Teams, Computer Emergency Response Teams, and Joint Web Risk Assessment Cells contribute to national and homeland security through the protection of information infrastructure. The teams deploy domestically and globally to provide their specialized service to the Combatant Commanders.

In fiscal year 2003, the Army National Guard's Information Operations program continued to develop technically and tactically focused units that supported the warfighting commanders and provided protection of the nation's critical information infrastructure across the operational continuum. During the same period, the Army National Guard Information Operations section for the Pennsylvania Guard's 28th Infantry Division and Minnesota's 34th Infantry Division deployed in support of peacekeeping operations in Bosnia and Kosovo. Seven Information Operations Field Support Teams and one Computer Emergency Response Team were mobilized in support of Operation Iraqi Freedom. The Army National Guard Information Operations program also provided operational support to all major commands and several Army divisions.

This program has trained over 2,400 Reserve and Active Component Soldiers since fiscal year 2000. The program is scheduled to expand its training capability, doubling its capacity in fiscal year 2004.

Logistics and Equipment

The Army National Guard is deployed all over the world in support of the Global War on Terrorism and operations taking place in Afghanistan and Iraq. Army National Guard personnel, in many cases, train on and use older generation equipment to help support these critical operations. This equipment is far behind the current technologies, making much of what is used by the National Guard incompatible with current Army equipment. And in many cases this older equipment is more expensive to operate and maintain. An additional challenge is that operational costs of older equipment are higher than the new versions due to increased failure rates and decreased availability of spare parts.

The Army National Guard has faced modernization challenges in previous years for such systems as the High-Mobility Multi-Purpose Wheeled Vehicles, Single-Channel Ground and Airborne Radios, chemical and biological detection equipment, and Night Vision Devices. Many of these challenges have had an adverse impact on units preparing for overseas deployment.

The Army National Guard is making significant progress in modernizing its heavy force and bridging its equipment to the digital force. Emerging technologies will dramatically lower the logistics impacts of these systems and substantially reduce repair times, increase operational readiness rates, and eliminate obsolete and unsustainable test equipment. This will

allow the Army National Guard to operate its heavy equipment at a higher operational rate while reducing the overall costs for these systems.

Equipment Modernization Challenges in the Army National Guard

- High-Mobility Multi-Purpose Wheeled Vehicles
- Single-Channel Ground and Airborne Radios
- Chemical and biological detection equipment
- Night Vision Devices

The Army National Guard currently has a significant portion of the Army's maintenance infrastructure. This Cold War vestige is too expensive and redundant. Under the Army's new maintenance strategy, the Guard and other Army elements are transforming their maintenance capabilities from a four-level system to a two-level system. This two-level maintenance system will cut redundancy in the system and allow Army maintenance personnel to more efficiently diagnose and maintain equipment at the forward level.

Another focus area for the Army National Guard is the agility and flexibility provided as a full partner in the Army Acquisition Community. Whether it is grooming expert contingency contracting personnel, facilitating Rapid Fielding activities, and/or participating in major Army Program/Project Executive Offices, Army National Guard Acquisition professionals are engaged in depth. The Army National Guard is aggressively analyzing the task organization of Contingency Support Contracting Teams. The members of these teams, task-organized from the existing Modified Table of Organization and Equipment structure, are identified and trained in advance to support specific deployment requirements, giving deploying commanders the flexibility necessary to accomplish their missions without relying on supporting unit assistance.

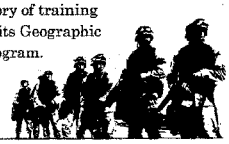
Environmental Programs

Training the best force in the world requires the world's best training areas. The Army National Guard's environmental programs support the warfighter and homeland defense by sustaining healthy training lands. By reducing training restrictions, the Army National Guard is able to be a good steward of the land it uses, while operating top training facilities. The first Army Compatible Use Buffer under Title 10, U.S. Code 2684A was recently implemented at Camp Blanding, Florida. Within the designated buffer, and in collaboration with other agencies, the National Guard has formed land-use agreements to ensure land-use is compatible with military operations.

In addition, Integrated Natural Resource Management Plans will now be used in lieu of critical habitat designation to ensure training lands will continue to be used for training while simultaneously protecting habitat. Also, the Army National Guard has instituted restoration programs to clean and restore contaminated sites. Initiatives at seven sites were recently completed and efforts at five additional sites will be conducted through fiscal year 2005.

The Army National Guard is also improving its business practices as they relate to the environment. Environmental program management will be improved through the implementation of mission-focused Environmental Management Systems. The Army National Guard will change its environmental program from one of compliance to one that is proactive and oriented toward the strategic goal of sustainable installations. This will enhance the ability of warfighting units while minimizing environmental impacts. Our organization is utilizing tools such as the Environmental Performance Assessment System's Compliance Site Inventory, a web-based module that allows environmental managers to track, manage, and query a wide array of compliance data. Recent program developments include a series of protocols to assess the progress of the Environmental Management Systems.

A top priority for the Army National Guard is preparation for fiscal year 2005 base realignment and closure actions and the effect these will have on the environment. The Army National Guard expects to have a complete inventory of training lands by 2006 through its Geographic Information System program. These technologies are



critical to the battlefield intelligence component of transformation.

Part of the Joint Force

During the past year, the Chief of the National Guard Bureau directed the most profound organizational change to the National Guard since the end of World War II. The heart of this transformation effort was to combine the separate Army and Air National Guard Headquarters that existed in each state and territory into a Joint Force Headquarters, State. The vision was to make the National Guard more responsive to regional Combatant Commanders and better enable the Guard to defend the nation as part of the Joint Team.

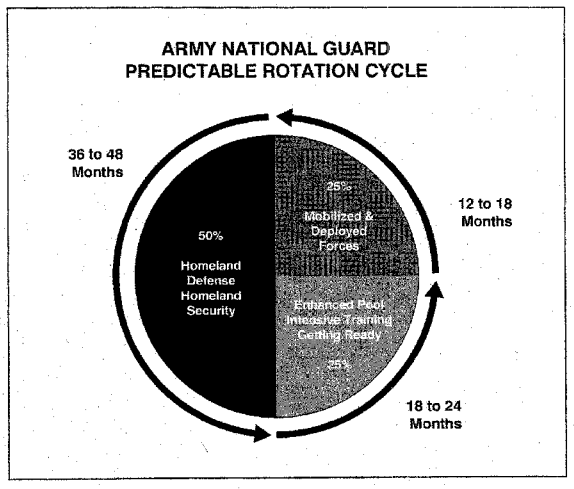
The Army National Guard is capable of fighting as part of the Joint Team. Today, operations in both peace and war are conducted by Joint Forces. Army National Guard leaders must be trained and capable of operating in a joint environment.

To ensure that its leaders are capable of this, the Army National Guard is developing the means to expose them to joint operations at various stages in their careers, and facilitate the opportunity for them to receive Joint Professional Military Education. These opportunities and experiences with the realities of joint operations will better assure prepared leadership in the Army National Guard.

Predictability for Our Soldiers

The National Guard has manned units from local communities since the first muster in the Massachusetts Bay Colony in 1636. The National Guard is a community-based force where a Soldier may spend an entire career in the same battalion, company, battery, or troop. This provides for unit cohesion, stability, continuity, and the bonds of camaraderie that come from shared hardships and experiences.

Although we remain a "Minuteman" force, predictability is an important factor in retaining our Citizen-Soldier. Since 1996, our force has been consistently called to federal active duty. Our Soldiers have and will continue to muster for any mission in the fine tradition of the National Guard. However, the Global War on Terrorism is projected to last several years. Feedback from the Soldiers, their families, and their employers is consistent: they simply wish to know when they are needed and for how long. Soldiers are asking for predictability. When possible, mobilizations and deployments should be forecasted in advance, potentially years ahead of a unit's deployment. The Army National Guard is working towards instituting a Predictable Deployment Cycle that will provide units a forecast on overseas deployments. This predictable cycle looks at using a unit only one time in a six-year period. This is a benchmark. While the National Guard stands ready for any mission at any time,



this concept will help alleviate the magnitude of the unknown.

Home Station Mobilization

Home Station Mobilization is a National Guard initiative that empowers the Joint Force Headquarters, State, with greater responsibilities for the mobilization of units deploying to war. The Joint Force Headquarters, State, assume responsibility for all mobilization processing activities that are currently done at active duty installations. This expedites the mobilization of the National Guard and their employment into theaters of operation. Improved efficiencies in mobilization allow the Army to maximize the operational capability of the force. Three units successfully conducted Home Station Mobilization and demobilization in fiscal year 2003.

Strategic Readiness System

The Army National Guard implemented the Strategic Readiness System in 2003 to more accurately capture unit readiness. This is an integrated strategic management and measurement system that ensures that all levels of the Army recognize and align their operations to the vision, objectives, and initiatives of the Army Plan. It measures each element's success in achieving these goals. The Strategic Readiness System has assisted Army transformation by changing the way the Army National Guard approaches and reports readiness data.

Personnel and Human Resources

Continuing Army National Guard participation in the Department of Defense Personnel Transformation includes immediate movement towards the implementation of the Defense Integrated Military Human Resources System during 2005-2006. This human resource system aligns the Army National Guard with a Defense vision and goal of a Joint Service integrated personnel and pay system. It will provide support throughout the life cycle of a service member's career. Development and implementation are proceeding under the direction of the Undersecretary of Defense for Personnel and Readiness in coordination with all services and components. This human resource system will streamline the Guardsman transition from a non-federal to federal active duty status.

The Army National Guard's Permanent Electronic Records Management System is a web-based system utilizing digital imagery to store and retrieve personnel records. Its importance lies in its seamless records management capability throughout the Army, enhancing both mobilization and personnel readiness.

By consolidating the administrative operation of human resources in one place, the Permanent Electronic Records Management System allows personnel records to follow a Soldier regardless of component. Army National Guard enlisted records, currently in hard copy, will be converted to an electronic form in fiscal years 2004 and 2005. It will also adopt an Automated Selection Board System to support and improve the process under which information and votes regarding personnel actions are processed by military personnel boards.

Moving from a paper system to a digital system is a time-consuming process. However, once the Automated Selection Board System is adopted, it will save the Army National Guard more than $150,000 per year in microfiche production and postage costs. This system is essential to achieve and fully support Personnel Transformation and programmed for fielding in fiscal year 2005.

Conclusion

The Army National Guard remains a unique capability with its State and Federal mission. As a community-based force, we are entrusted with the responsibility to protect our citizens' liberties and our nation's freedoms. Army National Guardsmen have a warrior's ethos and a loyalty to respond to any Governor or Presidential call to duty.

Our Soldiers have been called upon more than ever to provide security to our nation. We are a ready and relevant force, but we will continue to raise our readiness level to C1, the highest level. We are committed to obtain the necessary resources in the areas of modernization, training, and equipping. Our Soldiers

will not reach their fullest potential readiness with outdated equipment, limited health care, and unpredictable deployment cycles. In all areas, however, we remain dedicated to using our resources efficiently and prudently.

The Army National Guard continues its transformation into a leaner, more agile and ready force. As the Army National Guard continues to operate in concert with the U.S. Army, it will fight wars and ensure the safety and well-being of the American people.

Lieutenant General Daniel James III, Director
Air National Guard

Overview

What an incredible year this has been for the nation and the Air National Guard. We've continued to make great strides in securing peace for the nation in the Global War on Terrorism. We have validated everything we've said about our capabilities: we train to fight and can accomplish the mission professionally and, most importantly, bring the will of the American people to the conflict.

Our contributions over the past two years and specifically in Operation Iraqi Freedom have been tremendous. Since September 11th, we've mobilized over 36,000 members and have flown over 111,000 sorties for over 340,000 hours. One-third of the Air Force aircraft in Operation Iraqi Freedom was from the Air Guard. We flew 100 percent of the Operation Enduring Freedom A-10 missions and 66 percent of the Iraqi Freedom A-10 taskings. We accomplished 45 percent of the F-16 taskings. The A-10s flew more combat missions in the Iraqi war than any other weapon system. Thanks to our innovative culture, we modernized A-10 and F-16 Block 52 aircraft with LITENING II targeting pods in just three months, giving them precision guided munitions capability. Because of this capability, we were 100 percent successful in stopping SCUD missile launches in the Western Iraqi desert.

We flew 86 percent of the Operation Iraqi Freedom tanker sorties. We accomplished this primarily through the Northeast Tanker Task Force which was operating within 24 hours of initial call from Air Mobility Command. In line with our militia spirit, that task force was initially manned through volunteerism. A total of 18 units supported it; 15 were from the Air Guard.

Iraqi Freedom was also the first employment of the integrated 116th Air Control Wing flying with the Joint Surveillance and Target Attack Radar System (JSTARS). Wing leadership and the Guard and Active crews worked together superbly. While there is still work to do to fix some administrative issues, we have validated the concept of blended or integrated units.

Our Expeditionary Combat Support has been providing outstanding service to the warfighter. Air National Guard maintenance quickly rewired our A-10s and F-16s with LITENING II in minimum time. They've kept our aircraft flying despite the challenging operating conditions.

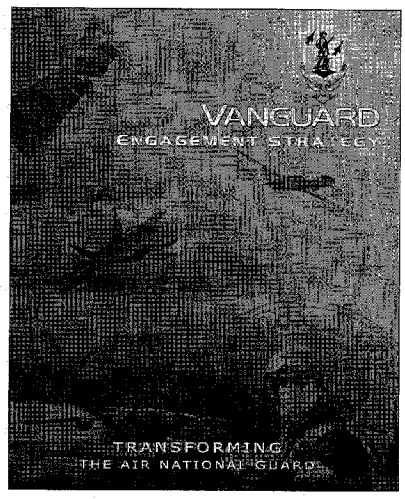
Security Forces personnel were mobilized for two years and have provided an incredible service. It was Air National Guard Security Forces that were the first Security Forces on the ground in Iraq. Intelligence personnel

have been providing unique capabilities for Central Command and organizational support for the U-2, Predator, and Global Hawk. Medical personnel have been utilizing the new Expeditionary Medical Service capability, providing critical care to the warfighter. Civil Engineers built bare bases out of the desert and trained Iraqi firefighters while Weather personnel worldwide provided over 50 percent of the Army's weather support. Financial Management personnel have been diligently working to keep benefits flowing to our members despite complex systems. Air National Guard Command, Control, Communications and Computer personnel have kept vital information flowing on one end of the spectrum and provided Ground Theater Air Control System Personnel on the other. Our chaplains, too, have been providing outstanding spiritual aid out in the field. We have been able to participate at these levels because we provide Expeditionary and Homeland Defense capabilities that are relevant to the nation.

Today as we look toward our future relevancy, as indispensable and equal Total Force partners, we have to be prepared to transform with the Total Force. We are now in a position to make the decisions that will influence our next evolution... transforming the Air National Guard. We are fully committed to the transformation of the National Guard Bureau and Joint State Headquarters.

Some of today's capabilities may not be required in the future. The future Air Force will rely heavily on technological advances in space, command and control, intelligence and reconnaissance systems, information warfare, unmanned aerial vehicles, and the ability to conduct high volume and highly accurate attacks with significantly fewer platforms. For the Air Guard to remain Total Force partners, we have carved out our own strategy in those areas and will explore new organizational constructs. Among those constructs are various forms of integrated units where we can combine individual units with other Air Guard units or with another service component. We have to expand our capabilities as joint warfighters and make the necessary changes to integrate seamlessly into the joint warfighting force. To remain relevant we must continue to listen to the messages that are being sent today.

The "*VANGUARD*" Engagement Strategy is our vision for transforming the Air National Guard to remain "out in front" as the Department of Defense addresses current realities and plans for an uncertain future. Our Air National Guard of tomorrow will be molded by our transformational approach and actions of today. The Engagement Strategy highlights several *Transformation Focus Areas* where we can concentrate our continuing transformational efforts.



We must continue to lean on the strengths of our people, core values, core competencies, community connections and unique culture *while* participating in Air Force and Department of Defense Transformation, Jointness and Capabilities-Based Relevance.

Now is the time for us to lead the way by considering, selecting and implementing new concepts and missions that leverage our unique strengths to improve Total Force capabilities in support of Expeditionary roles and defense of the homeland. This can only be accomplished by involving *all* Air National Guard stakehold-

ers, working toward a common goal... enhanced future relevance for the entire Air National Guard. Vanguard seeks the optimum synergy resulting from melding the right concepts and missions at the right times and places for the right reasons without jeopardizing our core values and historic traditional militia heritage and culture.

By together addressing the complex issues that face us, we will keep the Air National Guard "Ready, Reliable, Relevant—Needed *Now* and in the Future."

Support the War Fight

In the continuing tradition of the Citizen-Airmen, members of the Air National Guard have been contributing to the Global War on Terrorism across the full spectrum of operations. During the peak of Operation Iraqi Freedom, we had over 22,000 members mobilized or on volunteer status supporting the Global War on Terrorism worldwide. In Operation Iraqi Freedom we flew 43 percent of the fighter sorties, 86 percent of the tanker sorties and 39 percent of the airlift sorties. At the same time we were flying almost 25 percent of the Operation Enduring Freedom fighter sorties and over 20 percent of the tanker sorties. True to our heritage, Air National Guard members were hard at work protecting our shores at home by flying over 70 percent of the fighter sorties, over 50 percent of the tanker sorties and 35 percent of the airlift sorties.

But our capabilities do not reside only in aircraft; 15 percent of our expeditionary combat support were engaged during this same period. This includes 60 percent of Security Forces, many of whom were mobilized for the longest duration. Additionally, about 25 percent of our Intelligence, Services and Weather personnel were mobilized.

Air National Guard men and women are proud to defend and protect our nation at home and abroad. Often, however, support equipment requirements overseas necessitate that equipment remain in place, causing a shortage of equipment for training at home. We are working with Air Force and Defense Department leaders to develop a solution.

Medical Service Transformation—Expeditionary Combat Support, Homeland Defense, and Wing Support

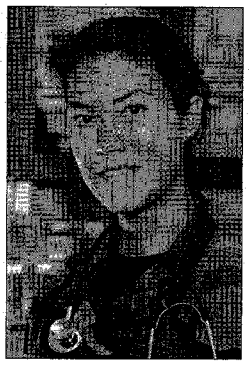
In 2002, the Air National Guard's Surgeon General led the Air National Guard Medical Service through its most revolutionary transformation in history by reconfiguring its medical capabilities into Expeditionary Medical Support systems. These systems provide highly mobile, integrated and multifunctional medical response capabilities. They are the lightest, leanest and most rapidly deployable medical platforms available to the Air National Guard today. This system is capable of simultaneously providing Expeditionary Combat Support to the warfighter for Air and Space Expeditionary Force missions, Homeland Defense emergency response capabilities to the states and support to the Air National Guard Wings.

During Operation Iraqi Freedom, Air National Guard medical units provided Expeditionary Combat Support to the warfighter. The Expeditionary Medical Support capability allowed 10 percent of Air National Guard medical unit personnel to deploy for Operation Iraqi Freedom, compared to only 3 percent in the early 1990s for deployments for Operations Desert Shield and Desert Storm. The United States Central Command has validated that the Expeditionary Medical Support system is a perfect fit for the Chief of Staff, U.S. Air Force Global Strike Task Force and Concept of Operations.

Homeland Defense capabilities are provided by the Expeditionary Medical Support system through its Military Support to Civil Authorities. The Air National Guard Medical Service plays a vital role in the development and implementation of the National Guard's Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force Package. This package will provide support to state and local emergency responders and improve Weapons of Mass Destruction response capabilities in support of the Civil Support Teams. The Air National Guard will have 12 trained teams by late 2004 and will build toward an anticipated 54 teams by 2007. The Air Combat Command Surgeon General has committed to providing 39 mass decontamination equipment sets to 39 Wings for installation-to-installation sup-

port, which will ensure that the Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force package's decontamination teams remain trained. The National Guard's short-term objective is to obtain 10 Small Portable Expeditionary Aerospace Rapid Response equipment sets, one for each Federal Emergency Management Agency Region.

The Air National Guard Medical Service's new Force Structure provided by the Expeditionary Medical Support system provides standardized and much improved Force Health Protection, Public Health, Agent Detection, and Health Surveillance capabilities to better support all Air National Guard Wings. This will enhance the protection of the Wings' resources and improve the medical readiness of its personnel.



Thus the modular "building block" capability of Expeditionary Medical Support provides an advanced technology and an essential, tailored medical capability in a small forward footprint expandable to meet situational needs.

The Air National Guard Surgeon General has pursued and will continue to develop the Air National Guard Medical Service's technology and modernization plans to support the warfighter's, state's, and Wing's requirements.

Eyes and Ears in the Sky: Air National Guard Intelligence, Surveillance, and Reconnaissance Systems and Support

The Air National Guard's Intelligence Surveillance and Reconnaissance personnel and systems play an increasingly important role in the defense of our nation. Air National Guard men and women are essential to Air Force tasking, processing, exploitation, and dissemination missions to support Global Hawk, Predator, and U-2 collection missions.

Due to a significant increase in Air Force mission requirements, the Air National Guard continues to expand its intelligence collection and production capability. The Air National Guard has also expanded its imagery intelligence capability through the use of Eagle Vision, which is a deployable commercial imagery downlink and exploitation system. This system provides valuable support to aircrew mission planning and targeting, as well as imagery support to natural disasters and terrorism.

Other developing Air Force capabilities that are entrusted to the Air National Guard include the F-16 Theater Airborne Reconnaissance System and the C-130 SCATHE VIEW tactical imagery collection system. The Theater Airborne Reconnaissance System will be improved to provide near-real-time support to warfighter "kill-chain" operations in day-night, all weather conditions. SCATHE VIEW provides a near-real-time imaging capability to support humanitarian relief and non-combatant evacuation operations. To support signal intelligence collection requirements, the Air National Guard continues to aggressively upgrade the SENIOR SCOUT platform. SENIOR SCOUT remains the primary collection asset to support the nation's war on drugs and the Global War on Terrorism in the Southern Hemisphere. Finally, the Air National Guard established a new unit to support RC/OC/WC-135 flying operations at Offutt AFB, Nebraska. This unique future Total Force organizational construct is transformational and serves as a successful example for future operationally integrated units. The Air National Guard is transforming its force structure to meet escalating Intelligence Surveillance and Reconnaissance mission requirements and an ever-increasing demand for Air Guard capabilities.

Managing Force Finances

Financial Management experienced an unprecedented deployment tempo during 2003. For the first time ever, an Air National Guard Comptroller was assigned

exclusive command and fiduciary responsibility for the establishment and sustainment of financial operations in direct support of combat missions. The challenge was to create a financial infrastructure from scratch. This Comptroller and subordinate staff of 5 Air National Guard financial management professionals "financed the fight" with distinction.

As locations overseas were vacated, our financial management expertise was noticeably acknowledged. Our finance personnel were specifically chosen and assigned the significant responsibility for final reconciliation and settlement of accounts. The importance of departing the local economy with balanced books and completely liquidated fiscal obligations cannot be understated. The Air Guard delivered remarkable stewardship in this demanding role.

The Operational Tempo at home generated another Financial Management "first". One hundred seventy-six Air National Guard finance personnel were mobilized as part of an innovative home station support package. This was a transformational approach to the surge in processing workload that tripled as hundreds of Airmen at each unit were called to duty and follow-on overseas deployment.

The Air National Guard: Using the Stars to Serve the Community

For the Air Guard, Space Operations provide a critical communications link to communities throughout the nation in the form of satellite support for everyday uses, television, computers, and wireless phones, but also serve as an important military deterrence from external threats. Currently, the 137th Space Warning Squadron in Colorado provides mobile survivable and endurable missile warning capability to U.S. Strategic Command. Recently, two Air National Guard units in Wyoming and California have come out of conversion to provide operational command and control support to Northern Command and to provide round-the-clock support to the Milstar satellite constellation.

Additionally, the Air Force has approved space missions for the 119th Command and Control Squadron in Tennessee to support the U.S. Strategic Command, and the 114th Range Flight in Florida is partnered with an active Air Force unit performing the Launch Range safety mission. There are future plans by the Air Force to transition additional space program missions and assets in Alaska and other states to Air National Guard control.

Comprehensive and Realistic Combat Training—An Asymmetric Advantage

The National Guard Bureau has a fundamental responsibility to ensure that the men and women of the Air Guard are properly trained to meet the challenges they will face to protect and defend this country. This can be done through the effective development and management of special use airspace and ranges. To support this requirement of the warfighter, the Air Guard is responsible for 14 air-to-ground bombing ranges, four Combat Readiness Training Centers, and the Air Guard Special Use Airspace infrastructure.

To ensure that our units remain ready and relevant, they must have access to adequate training airspace and ranges that meet the demands of evolving operational requirements. The National and Regional Airspace and Range Councils, co-chaired by both the Air Guard and the Air Force, continue to identify and work airspace and range issues that affect combat capability and are engaged with the Federal Aviation Administration in the redesign of the National Airspace System.

Transformation efforts to improve realistic training at our ranges have been identified by several units as instrumental in preparation for Operation Iraqi Freedom. For example, the recently deployed Joint Modular Ground Targets, Urban Area Targets and Time Sensitive Targets provide training that reflects today's combat realities. Ranges are being equipped with modernized scoring and instrumentation and data-link equipment necessary to support precision-guided weapons training. Critical training is provided to ground Forward Air Controllers as well as aircrews. Range residual cleanup and associated environmental issues remain a major challenge.

The four Combat Readiness Training Centers provide an integrated, year-round, realistic training envi-

ronment (airspace, ranges, systems, facilities, and equipment), which enables military units to enhance their combat capability at a deployed, combat-oriented operating base and provide training opportunities that cannot be effectively accomplished at the home station. As such, these centers are ideal assets for the Joint National Training Capability. The centers offer an effective mix of live, virtual and constructive simulation training. The Air National Guard continues to pursue National Training Capability certification for these centers and ranges.

It is imperative to the warfighter that the Air Guard maintain its training superiority. As the warfighting transformation and joint operational requirements evolve, it is essential that the airspace and range infrastructure be available to support that training.

Homeland Defense

Air Sovereignty Alert

Since September 11, 2001, thousands of National Guardsmen have been mobilized to operate alert sites and alert support sites for Operation Noble Eagle (ONE) in support of Homeland Defense. Our Air National Guard has partnered with Active Duty and Reserve forces to provide Combat Air Patrol, random patrols, and aircraft intercept protection for large cities and high-valued assets in response to the increased threat of terrorist groups. By the end of fiscal year 2003, Air National Guard units had assumed 16 of 16 North American Air Defense and Northern Command-directed ground alert sites in the Continental United States and 1 of 2 alert site locations outside the United States. While the Air National Guard has assumed the responsibility of all ground alert sites and some irregular Combat Air Patrol periods, Active Duty units have shouldered the burden of all regular "steady-state" Combat Air Patrols. This partnering agreement maximizes our nation's current basing locations and capitalizes on the high experience levels within the Air National Guard and its professional history in Air Defense operations.

To continue operations at this indefinite pace has posed some unique funding and manning challenges for both the field and headquarters staffs, especially

with the looming two-year mobilization limitation and Secretary of Defense's desire to normalize operations. Beginning mid-November 2003, many Air National Guard personnel began to reach their two years on active duty, causing much concern as to the participation of Air National Guard personnel. With the release of the fiscal year 2004 President's Budget, the Air National Guard received temporary funds to begin transitioning from a mobilized to a "steady state" force for fiscal years 2004 and 2005. This funding allowed for supporting the ASA mission in a new Continuum of Service active duty or technician status while at the same time it funded many of our facilities, equipment, and MILCON requirements to support the mission long-term. Our goal is to have all alert personnel transitioned from contingency/mobilized to "steady state" Continuum of Service status by March of 2004. As we move into the fiscal year 2006 Program Objective Memoranda exercise, the active Air Force and Air National Guard will continue to work towards a permanent solution for our alert force and advocate with the Office of the Secretary of Defense to incorporate these temporary Continuum of Service tours into steady state programs.

Transformation for the 21st Century

Supporting a "Capabilities Based" Military Force

The Air National Guard is a solid partner with the Air Force, the Air Force Reserve, and all collective units of the Department of Defense designed to protect national security and maintain international peace. The Defense Department's priority is Transformation... and therefore it is the priority of the active services and the reserve components. Transformation as "relevancy" is dependent on the Air National Guard readiness, in both state and federal missions, being able to support service-apportioned, Joint Chiefs-validated, and Combatant Commander-required "capabilities."

The Air Force is pursuing innovative organizational constructs and personnel policies to meld the various components into a single, unified force. Ongoing shifts in global conflict and U.S. strategy suggest an increasing attention to activities such as homeland defense, nation-building, and others that may require different mixes of capability that are not necessarily resident at sufficient levels in the Active Component alone. This "Future Total Force" integration will create efficiencies, cut costs, ensure stability, retain invaluable human capital, and, above all, increase our combat capabilities. One example of this transformational initiative is the proposed movement of Air National Guard manpower to Langley AFB, an active duty base, from Richmond, an Air National Guard base, with the intent of leveraging the high experience of Guard personnel to improve the combat capability for the active force.

Another transformation effort is to "integrate," where sensible, units from two or more components into a single Wing with a single commander. Active, Guard, and Reserve personnel share the same facilities and equipment, and together, execute the same mission. This is a level of integration unprecedented in any of the Services.

Potential future missions might include Unmanned Aerial Vehicles and their training programs, combining the Unmanned Aerial Vehicle squadrons with their manned fighter counterparts; and integrated fighter squadrons realizing the benefits of highly trained personnel flying legacy systems during the transition period to newer fighter aircraft such as the Joint Strike Fighter. The Air National Guard has been steadily increasing its participation in space operations over the years and already plays a vital role in missile warning, satellite command and control, and launch operations. These contributions will be significant during conflicts envisioned for the future.

These changes confirm and continue the trend in which air and space forces carry a heavier share of the burden in the nation's wars. The new strategy and force-sizing standard point to an increase, not a decrease, in aerospace power.

Modernizing for the Future

The Air National Guard modernization program is a capabilities-based effort to keep the forces in the field relevant, reliable and ready for any missions tasked by the state or federal authorities. As a framework for prioritization, the modernization program is segmented into three time frames: short-term, the current and next year's Defense budget; medium-term, out to fiscal year 2015; and long-term, out to fiscal year 2025 and beyond.

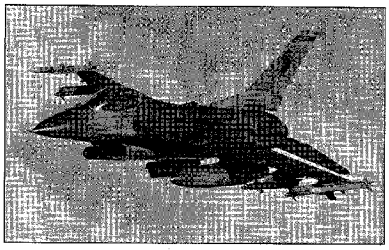
As the force structure continues to evolve, the Air Guard can anticipate a continuous process to ensure the forces provide an equivalent capability for Joint and Coalition Forces. The Air National Guard remains an equal partner with the Air and Space Expeditionary Forces that are tasked to meet the future challenges and missions. Because of budget constraints, it is incumbent upon the Air Guard to maximize combat capability for every dollar spent. The Air National Guard includes all aircraft, ground command and control systems, and training and simulation systems in this modernization effort. The requirements necessary to focus this effort must be grounded in clearly defined combat capabilities and missions. The foundation of our future efforts is relevance with reliability and readiness. It is increasingly difficult to keep the Air National Guard legacy systems relevant given

the transformation of the Air Force to better, more effective technologies. Systems funding will be a continuous and serious challenge since funding levels continue to fall short of mission requirements. Over the foreseeable future, the Air Force will be stretched to simultaneously fund current operations, modernization, and future research and development projects.

In the near-term, our Modernization Program focuses on the ongoing Global War on Terrorism. Theaters of operations range from domestic efforts, such as fire-fighting, to full partners in overseas efforts, such as Operation Iraqi Freedom and Operation Enduring Freedom. The demands of the modern battlefield require the Air Guard weapons systems and crews to have identical or equivalent capability as the joint and coalition forces. The results of the modernization program were graphically demonstrated in both Operation Iraqi Freedom and Operation Enduring Freedom as the Block 25/30/32 F-16s, with their laser designator LITENING II targeting pods, the Enhanced Position Reporting System and Situation Awareness data links became the weapons system of choice for the combatant commanders in both theaters. Once air supremacy was achieved, the Air National Guard, Air Force Reserve Command and active A-10 aircraft became the primary choice in both theaters. We fully expect that future threats will continue to evolve which will require continued modernization across all weapons systems.

Here is a summary of the Air National Guard's force posture by weapons system:

The A-10 demonstrated its continued relevance in today's battlefield as the Warthog was the dominant weapon when coalition forces raced for Baghdad during Operation Iraqi Freedom. Rapid integration and installation of the LITENING II laser targeting pod in only a few days and subsequent spectacular precision attacks served as a model for the future of the A-10. Several other limitations were identified to include the need to modernize the aircraft infrastructure through the Precision Engagement program. One particular limitation was the lack of a tactical data link. The leading candidate in the near-term is the Joint Tactical Radio System, with installation scheduled to begin in fiscal year 2005. During 2003, the A-10 modernization program experienced, increased emphasis including an aircraft modification to house the personal locator system, further research into an adequate engine replacement, continued testing of the AN/ALR 69 Radar Warning Receiver, continued COMET infrared countermeasures pod testing, continued acquisition of targeting pods for precision guided munitions, and further work for the Precision Engagement program to upgrade the aircraft avionics continued development and integration.



During 2003, the Air Guard F-16s provided crucial combat capabilities in Operation Noble Eagle, Operation Iraqi Freedom and Operation Enduring Freedom by using advanced targeting pods funded by the Air National Guard's Modernization Program for precision-guided munitions. The Commercial Central Interface Unit, Color Multifunctional Displays, the Heads Up Display Advanced Electrical Unit, the Radar Modernized Programmable Signal Processor, the AN/ALR-69 Radar Warning Receiver Antenna Optimization, Situational Awareness Data Link and the Electronic Attack Upgrade were all part of our successful modernization effort. Funding for the Advanced Identify Friend or Foe upgrade was secured along with funding for the final engine upgrade kits. The Theater Airborne Reconnaissance System continued its spiral development to bolster the manned tactical reconnaissance limitation identified by the combatant commanders in every after-action report.

The HC-130 is completing installation of the Forward Looking Infrared system, an essential capability during combat rescue operations. The HC-130 starts integration and installation of the Large Aircraft Infrared

Counter Measure system, increasing survivability in face of the ever-increasing threat from hand-held missiles.

The HH-60 program started installation of the new M3M .50 caliber door gun, replaced personal equipment for the pararescue jumpers with state-of-the-art weapons and technologies. The initiation of the HH-60 replacement program will begin to slow any further modernization.

The Operational Support Aircraft Modernization Program leased two 737 Boeing Business Jets that are supporting current VIP Special Air and Joint Operational Support Airlift operations to improve response for civilian and military senior leaders. A third aircraft will receive full modifications and begin service as the C-40C in September 2004.

The training and simulation systems ensure the personnel on the front line are as ready and relevant as the equipment they use. Over the past year, the Air National Guard has begun the transition to the Distributed Mission Operations capability leveraging 21st century technology with realistic simulation. Useful at every level of training, crews acknowledged the edge they gained through mission rehearsal on the ground prior to some of the more complex missions. Starting with the A-10 and F-16 distributed mission training capable flight simulators, the Air National Guard has begun to transform their approach to combat training. The modernization of the F-15 includes the continued installation of the BOL Infrared countermeasures improvements system, continued delivery of upgraded engine kits and completion of the installation of the Multifunctional Information Distribution System Fighter Data Link. The next upgrades include the installation of the new 8 mm recorders, retrofit of a permanent night vision cockpit lighting system, continued integration and purchase of the Joint Helmet Mounted Cueing System, and the delivery of the replacement Identify Friend or Foe system. The conversion from the F-15A/B to F-15C/D begins in fiscal year 2005, thereby extending the relevance of the air superiority forces in the Air National Guard.

C-130 enhancements included the multi-command Avionics Modernization Program which upgraded nearly 500 aircraft to a modern, more sustainable cockpit. Additionally, the Air National Guard continued acquisition of the AN/APN-241 Low Power Color Radar, continued installation of the Night Vision Imaging System, and the Air National Guard-driven development of Scathe View to include various technological spin-offs having application in a myriad of civilian and military efforts. Other Air Guard programs include the AN/AAQ-24 (V) Directional Infrared Countermeasures System, propeller upgrades like the Electronic Propeller Control System and NP2000 eight-bladed propeller, and a second generation, upgraded Modular Airborne Fire Fighting System. Additionally, the Air National Guard partnered with the Air Force for the first multiyear buy of the new C-130J aircraft to replace the aging C-130E fleet.

The KC-135 weapons system completed the installation of the cockpit upgrade and continued the engine upgrades to the R-model. The KC-135 continued to be the air bridge for the multiple combat deployments across the globe. Keeping the aging fleet modernized will continue to challenge the Air National Guard as the refueling operations evolve to meet the next mission. It is critical the aging tanker fleet be modernized.

The Air National Guard Modernization Program is the key to continuing to field a relevant combat capability, ensuring dominance of American air power for the next 15 to 20 years. We must sustain an open and honest dialogue from the warfighter through Congress, in order to maximize the investment of precious tax dollars. The modernization program is a process, not a goal. Recent combat successes validate that process and serve as a model for future transformation of the United States Air Force.

Land Fleet Supports Air Operations

The Air National Guard Vehicle Priority Buy program cannot keep pace with mission requirements associated with Homeland Security, new Alert sites, Security Force protection, medical evacuation teams and new aircraft conversions.

At the present time, 35 percent of the Air National Guard vehicle fleet is due for replacement, at a cost of approximately $262 million.

The Air National Guard vehicle fleet will continue to age and become more costly to maintain. The less-than-adequate replacement rate coupled with additional requirements to support newly emerging homeland security tasking will severely impact our vehicle readiness.

Military Personnel Transformation—30 Years After "Total Force"

The Air National Guard is partnered with the Air Force in multiple transformation initiatives that will affect the Total Force. These initiatives, tied with the Office of the Secretary of Defense's new paradigm—Continuum of Service—will necessitate simplifying the processes and rules that are now in place. Continuum of Service is a transformation for personnel management that is needed to acknowledge the changes that have occurred in the way Reserve Component members are now employed in the full range of operational worldwide missions. This transformation will require changes in legislation and the commitment of the military services. Although there is an increased spirit of volunteerism, and retention remains strong despite the increase in calls for federal and state service, a more integrated approach to military personnel management is imperative. The integration that is required presents a challenge in military personnel life cycle management. The Guard's Directorate of Diversity, Personnel, and Training, the stewards of the force, will ensure Continuum of Service policies have the flexibility to manage the force separately, so Guardmembers have a reasonable opportunity to compete for promotion.

One of the business operations targeted by the Secretary of the Air Force for transformation is the manner in which the Air Force delivers human resource services to its customers. The transformation of these business operations will achieve the Air Force Secretary's objectives by shifting from the current labor-intensive, transaction-focused customer service delivery system to a "strategic partner" role. The ultimate goal is the creation of a customer-focused, mission-driven Total Force service-based delivery system. The system will be leveraged by technology that provides effective, efficient and timely services, while freeing human resource professionals to advise commanders on the development and management of their personnel. The Air Guard is committed to the Secretary's vision and goals for Customer Service Transformation while, at the same time, ensuring Air National Guard members have access to the human resource services which are vital to effective career management.

The Air National Guard supports the transformational vision of the Chief of Staff of the Air Force for a more deliberate approach in developing a force development construct. This entails a Total Force concept that incorporates the way the Air Force trains, educates, promotes, and assigns the Total Force—Active, Guard, Reserve, and Civilians. The newly published Air Force Policy Directive 36-26 represents a radical departure from the current educational and assignment culture. The newly published directive emphasizes a flexible, capabilities-based, Total Force approach that fulfills the professional and personal expectations of our Airmen, while still meeting mission requirements.

One aspect of the Force Development construct is ensuring implementation of the Air National Guard's national diversity strategy. The purpose of the diversity strategy is to increase mission readiness in the organization by focusing on workforce diversity and assuring fair and equitable participation for all. Finally, the Air National Guard has developed a Formal Mentoring Initiative that is ready for a nationwide rollout. This program will be a key component in the professional development of Air National Guard members.

Information Networking for the Total Force

The Air National Guard Enterprise Network is critical to the successful transmission of information within a unit, between units, and among the various states. We are making progress towards modernizing our nationwide information technology network that serves a vital role in homeland security and national defense. A

healthy and robust network for reliable, available and secure information technology is essential to federal and state authorities in their ability to exercise command and control of information resources that potentially could impact their various constituencies. The effective functioning of the Air National Guard relies upon a strong interface and interaction within the network to share information at all levels.

The Air National Guard continues to make significant progress in procuring network hardware and personal computer and server software that decreases complexity and increases network communication with Air Force and Department of Defense partners.

The Air National Guard has completed a nationwide consolidation of network servers by consolidating core network services to regional operations centers, and we continue to provide high quality Information Technology services. At the same time, we continue to reduce redundant and obsolete systems and programs.

The current initiative to provide better communications to our warfighters is our initial roll-out of Microsoft's Active Directory Services. These services will provide enhanced security and broader communications capabilities to our users, and more closely integrate our network with Air Force and other Service networks, thereby increasing both security and communications capability. We hope to fund the remaining roll-out in fiscal year 2004 and begin follow-on programs that will reduce the time required to maintain server and desktop hardware, as well as help manage the software upgrades and security patches so critical to our network's security.

Greater emphasis must be placed on maturing the Air National Guard Enterprise Network. The rapidly changing hardware and software requirements of our warfighting and combat support functions come with a significant cost to upgrade and maintain a fully capable Information Technology network. The Air Guard network has typically been supported at the same level it was during the 1990s. Without a significant infusion of new technology, all other Air National Guard mission areas will be less than fully capable of executing their missions. This modernization initiative will certainly enhance the Air National Guard's interoperability with other federal and state agencies.

Preserving Facility Operations

Air National Guard Civil Engineering is proud of its management record of constraining infrastructure and operating costs while providing quality installations responsive to the nation's needs. This focused business concept limits direct investment to core responsibilities to better balance component, service, and department resources with other risk areas.

Civil Engineering demonstrates the balance between cost-effective and responsive infrastructure by operating a lean facility plant, relying on contractors for most facility work, and leveraging with the states and the traditional Guard member structure to reduce costs.

Facility space at the typical Air National Guard installation averages only 350,000 square feet constrained to operational, training and administrative space on 150 acres of leased property. Air National Guard installations do not have the extensive support facilities typically present on active component bases, such as dormitories, golf courses, family housing, hospitals, child-care facilities, schools, youth centers, commissaries or main exchanges. Instead, Guard members leverage this quality of life support through the community. Additional cost containment is realized by the joint-use of runways and taxiways that are typically owned by the local civilian airport authority and by property leases at nominal or no cost.

A small federal workforce of 7 to 10 predominantly civilian employees executes the facility operations and maintenance program through a contract and state employee workforce. This small fulltime workforce is built around the Base Civil Engineer, an assistant, a facility manager and a production controller. About 15 state employees provide maintenance service for day-to-day requirements while larger non-routine maintenance, repair and construction, where most investment is made, are accomplished through contracts as needed. Twenty-four state employee firefighters provide crash, fire and rescue service when not provided by the local civilian airport authority.

Base operational costs are further leveraged by state contributions. Specifically, states are required to provide matching funds for services such as utilities, custodial, trash, grounds maintenance and snow removal. This contribution typically ranges between 15 and 25 percent of the total cost of the requirement. Additionally, Civil Engineer and Services "outsource" its military capability, with personnel fulfilling traditional part-time roles, and thus avoiding full-time costs except when needed for wartime or deployment requirements. The Air National Guard Prime Base Engineer Emergency Force or PrimeBEEF force has been covering 30 percent of the total Air Force engineering wartime and deployment requirement, while the Prime Readiness in Base Services or Prime RIBS team has been covering 40 percent of these requirements.

Civil Engineer management controls costs to help keep the Air National Guard and its military presence in the community. National Guard facilities and personnel assigned to local units are the primary connection most Americans have with the military since a large number of active duty bases were closed during the 1990s. This community presence provides cost-effective platforms for recruitment and retention by being close to where Guard members work and live. Correspondingly, the Air Guard's efficient infrastructure and management structure helps the National Guard and the Department of Defense to balance resources with other areas of risk as they continue to transform military capabilities.

Redesigning Financial Management Systems

The Air National Guard Financial Management community is actively participating in the coordination of the Office of the Secretary of Defense Business Management Modernization Program and the Air Force Financial Management Transformation efforts.

This will ensure our future systems and procedures comply with the Defense Business Enterprise Architecture. The Air Guard's efforts include:

- Adopting standard business practices and systems to enhance the accountability and accuracy of financial management transactions; and,
- Replacement of non-compliant financial management systems with web applications that fully support the defense architecture and the Chief Financial Officers Act of 1990.

This is particularly evidenced by our efforts to transform and modernize the management of the Air National Guard Military Personnel Appropriation through the future implementation of the Reserve Order Writer System, a candidate to become a joint system that will bring the latest advances in technology and military orders information to Guardsmembers in the convenience of their homes around the clock.

Conclusion

The Air National Guard will continue to defend the nation in the War on Terrorism while transforming for the future. We will do this across the full spectrum of operations in both the Expeditionary and Homeland Defense missions. The Air National Guard will also continue to leverage our militia culture and linkage to the community that is vital to our nation. The men and women of the Air Guard are currently serving proudly in the far corners of the globe—and here at home—and will do so with distinction with the necessary tools to protect our freedoms.

Major General Paul J. Sullivan, Vice Chief

National Guard Bureau

Overview

The most exciting changes occurring in the National Guard today are in the areas of Transformation, Jointness and Homeland Defense. The initiatives begun in 2003 to bring the National Guard fully into the Goldwater-Nichols era of jointness are already transforming the way we do business in the highest echelons of the Department of Defense, out in the states, and around the world where our Soldiers and Airmen are protecting our nation from harm.

Transforming our headquarters to a joint structure provides greater interoperability with combatant commands, especially with U.S. Northern Command, U.S. Southern Command, and U.S. Pacific Command. It also increases our ability to interface with the Department of Defense and the Joint Staff on issues of Homeland Defense, Homeland Security, and Military Assistance to Civil Authorities. In summary, this will allow the Guard to operate on the same basis as the rest of the Defense Department.

The year 2003 marked the beginning of our journey. There are many more tasks to accomplish before we have fully implemented our transformation campaign plan.

The National Guard Bureau completed the initial stage of its transformation to a joint staff during the summer of 2003. In revising the staff structure, we attempted to mirror as closely as possible the structure of the Joint Staff in the Pentagon, thus facilitating closer coordination between the two to the maximum degree possible.

The Bureau is extensively reorganizing its manpower to perform staff functions that had never been addressed outside of the single-service focus of the Army National Guard and Air National Guard Directorates. The new joint Directorates of Logistics and Intelligence are prime examples of the Bureau expanding its vision and capabilities so that we can fully engage in interservice and intergovernmental efforts to protect the nation at home and abroad.

The expansion of the National Guard Bureau's roles and missions in the joint arena must still be validated by the Secretary of Defense and the Joint Staff.

The transformation to a joint Headquarters at the National Guard Bureau is being paralleled by a similar transformation in the states. The new Standing Joint Force Headquarters, State, are being designed to parallel the configurations of the National Guard Bureau, the Joint Staff, and the Combatant Commands. The States have been given flexibility to apply their human and financial resources to the joint configuration to address

their unique needs, while centralizing each governor's ability to leverage both homeland security and state mission capabilities in the event of a local emergency.

Every Joint Force Headquarters, State will provide a standing Joint Force Command and Control capability that will allow a combatant commander to accurately monitor an incident, provide supporting forces, or command federal forces, including federalized National Guard forces, in support of the civilian incident commander. This coordination between state and federal authorities will be aided by the creation of a robust command, control and communications backbone. We have proposed a Joint CONUS Communications Support Enterprise initiative that will provide a common, secure means through which they can coordinate their response for any domestic emergency. Upon completion of these transformational initiatives, the ability of both civil and military authorities to secure and defend the homeland will have increased exponentially.

In 2003, under the direction of Lieutenant General H Steven Blum, the Bureau asserted that joint duty billets and joint educational opportunities should be extended to the National Guard. The Defense Department is currently considering plans that will allow members of the reserve components, for the first time in history, to benefit from the opportunities provided by Joint Professional Military Education. The broad-based implementation of this training in years to come will be critical to achieving our goal of fully integrating the National Guard system with the Department and the combatant commands.

In organizing itself for the future, the National Guard Bureau, together with the National Guard headquarters in every state and territory, is transforming to become a member of the joint team. The War on Terror demands this capability from us; indeed, we are already serving in this capacity in our day-to-day interactions with the Office of the Secretary of Defense, with the Joint Staff, and with the combatant commanders. It is our responsibility to ensure that this transformation to jointness reaches full operating capability by October 2005.

Support the War Fight

State Partnership Program

The National Guard State Partnership Program links states and countries for the purpose of improving bilateral relations with the U.S. The value of this program is its ability to focus the attention of a small part of the Department of Defense—a state National Guard—with a single country or region in support of our government policies. The program's goals reflect an evolving international affairs mission for the National Guard. In addition, the National Guard promotes regional stability and civil-military relationships in support of U.S. policy objectives. The State Partners actively participate in a host of engagement activities including bilateral familiarization and training events, exercises, fellowship-style internships, and civic leader visits. All activities are coordinated through the theater combatant commander and the U.S. ambassadors' country teams, and other agencies, as appropriate, to ensure that National Guard efforts are tailored to meet both U.S. and country objectives. This program increases exposure of Guard personnel to diverse cultures in regions where they may be deployed in the future.

During 2003, nine new partnerships—Kansas-Armenia; Maryland-Bosnia; Puerto Rico-Dominican Republic; New York-South Africa; Wisconsin-Nicaragua; Utah-Morocco; Alaska-Mongolia; Florida-Guyana; and Virginia-Tajikistan—were formed. The Colorado-Jordan partnership was announced in March 2004. Currently thirty-nine U.S. states, two territories, and the District of Columbia are partnered with forty-five countries around the world, and last year alone more than 300 events took place between the partners. In fiscal year 2004 and beyond, it is our goal to expand the program to include increased interaction at the action officer and troop level will enable the partners to develop more hands-on events.

The State Partnership Program is also invaluable for our own homeland security. As we interface with countries that, on a daily basis, live with a terrorist threat in their own back yard, we learn the tactics and techniques that they employ to thwart attacks on their civilian population. Conversely, the countries learn some of the capabilities and techniques employed by

not only the Department of Defense, but by our civilian organizations at both a federal and state level that are in use to protect our homeland. It is through this cooperative exchange of vital information that we ultimately protect our homeland by pushing our borders outwards and creating an atmosphere of mutual support and collaboration.

Full-Time Support

The Active Guard and Reserve and Military Technician programs are a major asset for the National Guard and are essential to organizational readiness. Governed by USC Title 32, these full-time personnel are uniformed members who perform day-to-day responsibilities for a unit, who train with traditional Guardmembers in that unit, and who are available for mobilization or deployment when the unit is called to active duty.

The heightened pace of operations, however, has put a strain on normal procedures, particularly for the military technician force. National Guard technician deployments in support of ongoing contingency operations involved approximately 16 percent of the technician workforce. This resulted in an increased demand for personnel actions to support technician separation and leave of absence actions, entitlements counseling, and backfill of positions in order to continue accomplishing essential full-time functions like payroll processing and equipment maintenance. In order to expedite the increased demand for backfill, the previously authorized emergency hiring flexibilities were expanded and extended for another year. These flexibilities provided streamlined hiring processes for affected states.

The deployment of large numbers of military technicians with their units, while beneficial to the overall mission, created funding challenges for the program. Under current Uniformed Services Employment and Reemployment Rights laws, absence of technicians from their positions due to service in the armed forces does not result in absence of costs for agencies employing those technicians. The National Guard was still responsible for costs associated with stay-behind missions, such as maintaining armories and equipment, and the congressional legislation that employee and employer health benefit costs for technicians be paid for up to 18 months during mobilization. Therefore, residual costs incurred from health benefit costs, costs associated from backfilling mobilized technicians, outsourcing expenses, and other issues resulted in increased funding challenges during 2003.

National Guard Family Programs

As the role of the National Guard becomes focused on the dual missions of Global War on Terrorism and Homeland Security, units will continue to maintain a high level of readiness for overseas and homeland operations.

Not since World War II have so many Guardmembers been deployed to so many places for such extended periods of time. The role and support of the family is critical to success with these missions. The National

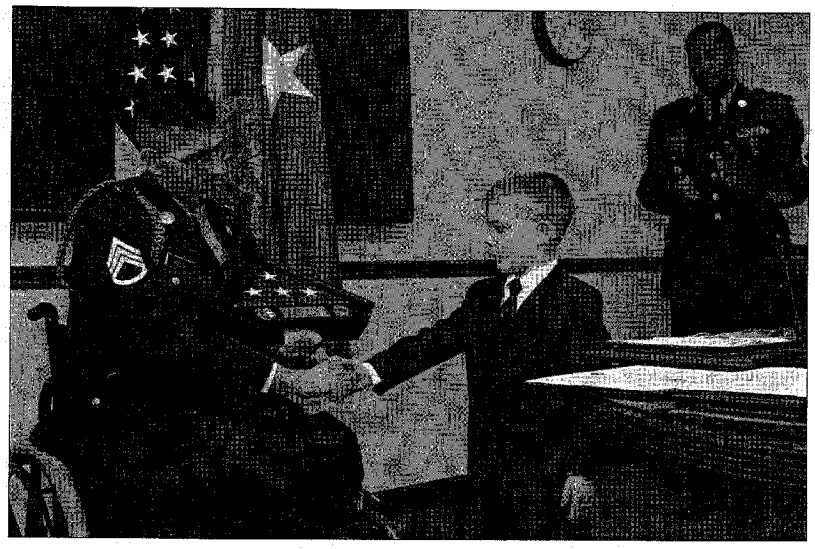
Guard Family Program has developed an extensive infrastructure to support and assist families during all phases of the deployment process. There are more than 400 National Guard Family Assistance Centers located throughout the fifty-four states, territories and the District of Columbia. These centers provide information, referral, and assistance with anything that families experience during a deployment. Most importantly, these services are for any military family member from any branch or component of the Armed Forces.

If family members are not prepared for deployments, a service member's readiness, morale, and eventually retention are affected. Family programs are currently in place to assist families during deployment, pre-mobilization, mobilization, and reunion. The Family Program office provides support to program coordinators through information-sharing, training, volunteer management, workshops, newsletters, family events, and youth development programs, among other services.

The greatest challenge lies in awareness and communication. The feedback we receive indicates that many family members are unaware of the many resources available to them during a period of active duty or deployment. Our primary goals are to increase the level of awareness and participation with existing family resources, and to improve overall mission readiness and retention by giving our warfighters the peace-of-mind of knowing that their families are well cared for.

Employer Support of the Guard and Reserve

The National Guard Bureau renewed its partnership with the National Committee, Employer Support of the Guard and Reserve. The Chief, National Guard Bureau, reinforced this commitment with his decision to authorize 54 positions for the states, District of Columbia, and territories to augment retention initiatives within all seven of the reserve components. A new initiative in fiscal year 2004 is a national level



contract that provides the states with additional personnel and puts the Employer Support program on a parallel track with the National Guard's Family Program. These two programs are intended to dovetail, and reflect our increased efforts to address the impact of mobilizations on employers and families.

Youth ChalleNGe Program

The award-winning National Guard ChalleNGe program is a community-based program in twenty-nine sites that leads, trains, and mentors at-risk youth to become productive citizens. The second largest mentoring program in the nation, the ChalleNGe program is coeducational and consists of a five-month "quasi-military" residential phase and a one-year post-residential phase. Corps members must be volunteers, between 16 and 18 years of age, not in trouble with the law, drug-free, unemployed, and high school dropouts.

A national model since 1993, the twenty-five states and territories that offer the program have graduated more than 48,000 young men and women who leave equipped with the values, skills, education and self-discipline necessary to succeed as adults in our society. Significantly, although many ChalleNGe candidates are from at-risk populations, over 70 percent of them have attained either a General Equivalency Diploma or a high school diploma. Furthermore, approximately 30 percent of all graduates choose to enter military service upon graduation. While the General Equivalency Diploma attainment is over 66 percent, and the graduation rate is above 90 percent, the National Guard seeks to improve the results in both areas.

The National Guard is "Hometown America" with deep roots in every community. The strong community ties make the National Guard a highly visible and effective entity in many towns and communities across the United States. National Guard units across the country have traditionally been involved in youth programs designed to help young people become positive and productive members of their community. The ChalleNGe program pays for itself with the savings realized from keeping young people out of jails and off welfare roles. In fact, these same young people are more prone to become productive, tax-paying members of their communities. The program saves $175 million in juvenile corrections costs, while lowering the percentage of youth who are on federal assistance from 24 percent to 10 percent. The results are that a ChalleNGe program actually makes money for the tax dollars spent.

Drug Interdiction and Counterdrug Activities

In 1989, the Congress authorized the National Guard to perform drug interdiction and counterdrug activities under Section 112, Title 32 of the United States Code.

This domestic counterdrug effort falls into two general areas: supporting community-based drug demand reduction programs and providing support to help law enforcement stop illegal drugs from being imported, manufactured and distributed. Approximately 2,600 personnel in Title 32 status work with the programs, while at the same time maintaining their wartime military skills and unit readiness.

The mission of the Drug Demand Reduction program organizes and expands community efforts to form coordinated and complementary systems to reduce substance abuse. The Guard's primary focus is on community mobilization and assistance to neighborhood groups. We assist these groups in setting goals and objectives and building neighborhood strength and resiliency that provide alternatives to drugs and drug-related crime. In fiscal year 2003, National Guard members were able to reach an audience of over 4.7 million students and family members with an anti-drug message.

Supply reduction activities stem the flow of illegal drugs into the United States. The National Guard performs a variety of counterdrug missions in direct support of local, state, and federal law enforcement. The types of support provided are diverse, but focus primarily on intelligence analysis and investigative case support. Activities also include linguist support, surface and aerial reconnaissance and observation, as well as communications and engineer support. We provide unique military-oriented skills so the program acts as a force-multiplier for law enforcement agencies.

As part of the supply interdiction mission, the National Guard provides airborne support to the domestic effort through the Counterdrug Reconnaissance and Aerial Interdiction Detachment program and the C-26 Sherpa program. These programs employ Kiowa helicopters and Sherpa aircraft to detect and track targets identified by law enforcement agencies. These aircraft have been specially modified with thermal imaging equipment, night vision devices, and high-tech communications equipment. Currently, we operate 116 Kiowa helicopters distributed among thirty-seven states; while eleven states each have a single Sherpa aircraft for these efforts. Recently, several of the Sherpa assets have been tasked to support overseas missions in support of U.S. Southern Command.

In Fiscal Year 2003, National Guard support efforts led to 66,395 arrests and assisted law enforcement in seizing the following:	
Cocaine	665,179 pounds
Crack Cocaine	61,715 pounds
Marijuana eradicated	2,232,693 plants
Marijuana (processed)	1,251,182 pounds
Methamphetamines	26,077 pounds
Heroin	6,475 pounds
Ecstasy	387,616 pills
Other / Designer Drugs	14,600,274 pills
Weapons	10,260
Vehicles	76,349
Currency	$192,607,004

Due to the tremendous successes of the Guard's training programs, and the growing need for more specialized training, the Guard operates five congressionally authorized training academies that provide counterdrug training for both law enforcement and community officials. These programs are open to both civilian and military personnel, and these no-cost courses provide training in both supply interdiction and drug demand reduction.

Finally, to help ensure a drug-free workplace, the National Guard administers and oversees a Substance Abuse Prevention Program. All members of the National Guard are subject to random, unannounced testing throughout the year. Additionally, members in certain specialties or job categories are subject to mandatory testing each year. In fiscal year 2003, we performed more than 225,000 drug tests. This testing helps ensure that the National Guard force is fit and mission-ready.

Homeland Defense

National Guard Reaction Force

The National Guard has nearly 368 years of experience in responding to both the federal government's warfighting requirements, and the needs of the states to protect critical infrastructure and to ensure the safety of local communities. In an effort to improve the capability of states to respond to threats against critical infrastructure within their borders, the Chief of the National Guard Bureau has asked each Adjutant General to develop a Quick Reaction Force capability. The goal is to have a trained and ready National Guard force available to the governor that can respond in support of local, state and, when required, federal agencies. The Guard Bureau has been coordinating with the states and territories to identify current response capabilities, as well as working with Northern and Pacific commands to ensure that these capabilities are understood and incorporated into their emergency response plans. Work is underway to identify additional requirements for force protection and interoperability with civil responders. This reaction force is not a new capability or concept. What is new is the standardized training and mission capabilities being shared by all states, territories, and the District of Columbia.

Full Spectrum Vulnerability Assessment

The Full Spectrum Vulnerability Assessment program is a new National Guard Homeland Defense initiative in which each state and territory has a team of Soldiers or Airmen trained to conduct vulnerability assessments of critical infrastructure in order to prepare and plan emergency mission response in the

event of a terrorist attack or natural disaster. This program is designed to execute the pre-planning needed for emergency response; to educate civilian agencies on basic force protection; to develop relationships between emergency responders, owners of critical infrastructure and National Guard planners in the states; and deploy traditional National Guard forces in a timely fashion to protect that infrastructure. In developing this concept, the Guard Bureau has worked with the office of the Assistant Secretary of Defense for Homeland Defense to establish policies and standards. During 2004, we plan to have six of these teams trained to conduct vulnerability assessments. Through this initiative, the National Guard continues its time-honored tradition of being prepared to respond at a moment's notice in defense of America.

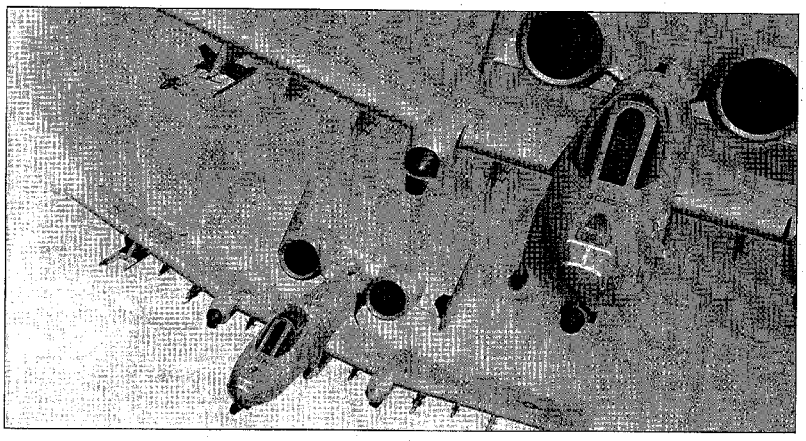
Weapons of Mass Destruction Civil Support Teams

The National Guard continues to strengthen its ability to respond to chemical, biological, radiological, nuclear, and high-yield explosive events. Since September 11, 2001, the existing thirty-two teams have been fully engaged in planning, training and operations in support of state and local emergency responders.

Civil Support Teams are designed to provide specialized expertise and technical assistance to an incident commander by identifying chemical, biological, radiological, or nuclear substances; assessing the situation; advising the commander on potential courses of action; and assisting with cutting-edge technology and expertise. Operationally, these teams are under the command and control of the governors through their respective Adjutants General in a U.S.C Title 32 status. The National Guard Bureau provides logistical support, standardized operational procedures, and operational coordination to facilitate the employment of the teams and to ensure back-up capability to states currently without a team.

During fiscal year 2003, teams responded to seventy-four requests for support from civil authorities for actual or potential incidents. Teams from Texas, Louisiana, Oklahoma, Arkansas, and New Mexico also provided valuable support in response to the Columbia space shuttle disaster during February 2003.

In accordance with Congressional and Defense Department direction, the National Guard will add twenty-three new teams, beginning with twelve in 2004, so that each



state, territory, and the District of Columbia will have at least one team. Another four teams will be added in 2005, with four more in 2006, and the remaining three in 2007.

In order to continue to be the best possible resource to the emergency responders they assist, it is vital that these teams continue to be equipped with state-of-the-art technology and trained to the highest possible level. To accomplish this, the teams must remain a high priority for resourcing at all levels of the Department of Defense.

Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force Package

After the terrorist events of September 11th, the protection of personnel and resources has greater urgency and the potential for response to civil authority is greater than ever. Local, state and federal agencies are applying tremendous resources to improve their Weapons of Mass Destruction response capabilities. To enhance the National Guard capability, the National Guard Bureau has developed an initiative to equip and train units in twelve states to provide a Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive regional response. This force will augment the Civil Support Teams and will provide emergency responders with a follow-on, task force-oriented structure that will help secure the incident site, support mass casualty decontamination operations in or near contaminated environments, and provide for casualty search and extraction. Included in this response force package is platoon-sized security, medical, decontamination, and technical search and extraction teams. These personnel are expected to respond to an incident on short notice in either state active duty or U.S.C Title 32 status. The new teams are expected to be trained and ready to respond by October 2004.

Intelligence for Homeland Security

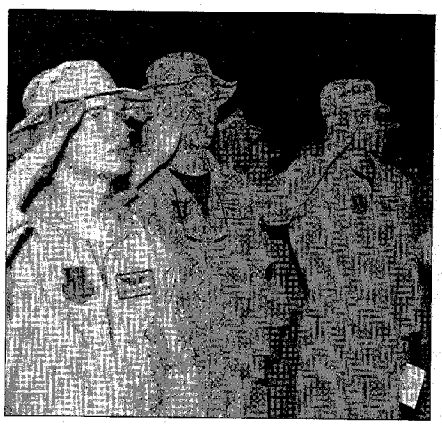
During the 2003 transformation to a joint staff structure, the Guard Bureau broke new ground by organizing for the first time in its history an Intelligence Directorate. The draft mission statement designates the directorate as the primary advisor to the Chief, National Guard Bureau, Deputy Chiefs, and the Adjutants General of the fifty-four states and territories for all intelligence-related matters. With the focus on improving threat awareness for the Guard's Homeland Security mission, the immediate goal has been to efficiently maximize information-sharing between the Guard and Defense Department, the combatant commands, particularly U.S. Northern Command and U.S. Pacific Command, the Department of Homeland Security, and national-level intelligence agencies. Concurrently, this new directorate is taking the lead in establishing a common operating system for intelligence that will provide a standardized intelligence picture that gives each participant the same level of situational awareness and allows sharing of information and intelligence across a single system, thus aiding the decision-making process.

Transformation for the 21st Century

Transformation to a Joint National Guard Bureau

In May 2003, the Chief, National Guard Bureau, announced his vision to transform the Bureau into a Joint National Guard Bureau that encompasses both its federal and state missions. In July 2003, the Chief provisionally organized the Bureau's manpower resources into a joint staff.

In late July 2003, the Office of the Secretary of Defense recognized the changing roles of the National Guard, both in its federal and state relationship, and indicated support of the Bureau as the national strategic focal point for National Guard matters. Secretary of Defense Rumsfeld further suggested greater ties with his office, the Joint Staff, and the Departments of the Army and Air Force in support of combatant commanders. The Secretary encouraged the development of proposals to forge a new relationship, one which would improve his office's access to National Guard capabilities and improve the ability of the National Guard to operate in the joint environment and other military matters. The primary interest for the Chief, National Guard Bureau is the Area of Responsibility



of all combatant commanders whose plans include or affect, or will likely include or affect, federalized or non-federalized National Guard units or personnel. As such, the Bureau supports U.S. Northern Command, U.S. Pacific Command, U.S. Strategic Command, and the states and territories in developing military strategy and contingency plans for homeland defense and civil support operations. It further supports all of the combatant commanders in developing joint operational requirements for Theater Security Cooperation, and War and Contingency Plans.

The Bureau is recommending its recognition, in both law and policy, as a joint activity of the Department of Defense, as well as a joint bureau of the Departments of the Army and the Air Force, with both joint and Service responsibilities. This joint initiative is projected to achieve full operational capability and validation from the Secretary of Defense and the Joint Staff by fiscal year 2005.

Joint Force Headquarters, State

On October 1, 2003, the Chief approved provisional operation of the Joint Force Headquarters in each of the fifty-four states, territories, and the District of Columbia. Transformation of the previously separate Air and Army National Guard Headquarters will continue through fiscal year 2006.

The Joint Force Headquarters of each state, territory, Puerto Rico and the District of Columbia exercises command and/or control over all assigned, attached or operationally aligned forces. It acts as a standing, deployed joint force headquarters, within the geographic confines of the state/ territory/ commonwealth or district; it provides situational awareness of developing or on-going emergencies and activities to federal and state authority. As ordered, the Joint Force Headquarters, State provides trained and equipped forces and capabilities to the services and the Combatant Commanders for federal missions. The Joint Force Headquarters, State supports civil authority with capabilities and forces for homeland security and/or domestic emergencies.

The Bureau is working to obtain Joint Staff approval for integration of this headquarters organization into the joint manpower process, specifically through submission of a Joint Table of Distribution, along with supporting documentation, by September 30, 2004.

Joint Professional Military Education

Joint Professional Military Education is the key to integrating the staffs of the fifty-four newly-created and the National Guard Joint Staff with the rest of the Defense Department. Credit for performance of joint duty is also a key factor in determining promotions in the active component, and increasingly within the reserve components as well. For this reason, in order to make the Bureau competitive with other joint duty assignments, ceilings for Joint Specialty Officer billets must be raised and billets must be allotted to the Guard. Guard officers also need increased access to resident Phase 2 Joint Professional Military Education. We are actively working with the Joint Staff in the Pentagon to explore ways of using the Guard's extensive Distance Learning facilities to expand Joint Professional Military Education opportunities

to members of the military, regardless of service or component.

Reserve Joint Staff Duty at National Guard Bureau

One of the Chief's early initiatives while meeting with the other reserve component chiefs was to obtain input and support for exchanging officers to serve on each other's staffs. This added capability is intended to assist in planning for the homeland security mission by sharing at an early stage a better understanding of the roles and specific security missions assigned to each component. For the first time in its 100-year history, Navy and Marine Corps Reserve officers are now serving as part of the Bureau staff, and Guard officers, in turn, have been assigned to their staffs. Similar exchanges are planned with the Coast Guard Reserve. These pioneers in the reserve joint staff arena are field grade officers currently assigned to the Operations and Plans and Policy equivalent directorates for a two-year period.

Joint Continental U.S. Communications Support Enterprise

Under Section 10501(b), U.S.C Title 10, one of the purposes of the National Guard Bureau is "the channel of communications on all matters pertaining to the National Guard, the Army National Guard of the United States, and the Air National Guard of the United States, between the Department of the Army and the Department of the Air Force, and the several states." Therefore, an obvious role for the National Guard is to provide an interface for communications between federal and state agencies with regard to incidents involving homeland security. There is a requirement for U.S. Northern Command, as well as other federal agencies, to have "continuous situational awareness" of incidents occurring in the states related to homeland security and the associated activities of the National Guard while acting under the states' control.

To meet these requirements, the Bureau has established a communications enterprise concept that meets the new homeland defense challenges and leverages the advantages of the National Guard's constitutional dual status under the state and federal governments. The proposed communications enterprise is the state-federal network connectivity concept named the Joint Continental United States Communications Support Enterprise.

This enterprise will involve national level management and integration by the Bureau of long haul, tactical, and other service capabilities to provide U.S. Northern Command, Pacific Command and the Joint Force Headquarters, State with connectivity to and through state networks to an incident site. The enterprise includes the establishment of a National Guard Bureau Joint Operations Center; a state joint headquarters communications element; net-centric connectivity state-to-state; vertical connectivity to incident sites, including a wireless capability; and a National Guard Homeland Security Communications Capability.

In 2003, the Bureau took the first step by establishing a Joint Operations Center, and the Standing Joint Force Headquarters in each state are in the process of establishing a dedicated communications element. Planning and resourcing for the remaining program phases are ongoing.

National Guard Enterprise Information Technology Initiatives

The National Guard continues to move aggressively in using information technology to support our warfighters and our missions at all levels, including Homeland Security and Homeland Defense. These initiatives are being implemented with an approach that is geared towards the National Guard Enterprise. Some examples of these initiatives from the past year include using Guard telecommunications resources, specifically distributed learning classrooms and video teleconferencing assets, to link Civil Support Teams in thirteen states. These resources have been used to provide critical pre-deployment support for warfighters and their families. For example, at Indiana's Camp Atterbury mobilization site, readiness training was conducted for Soldiers during the day, and in the evenings, a "Cyber Café" was established where Soldiers checked e-mail and military accounts, took care of personal matters, and communicated with fam-

ily members. During March and April 2003, nearly 10,000 Soldiers logged more than 327,000 minutes at this facility, providing substantial training efficiencies, but just as importantly, it was a great boost to Soldier and family morale. These same assets are currently being used throughout the organization to facilitate command and control for readiness of operating forces at levels never before available. Other examples are spread across the country, where Guardsmen are using newly provided capabilities to improve efficiency, effectiveness and morale.

Another initiative is the development of the Virtual Mission Preparation capability. This is being used as a prototype to provide a web-based, portal technology that delivers the capability to portray real-time status of units and their overall mobilization readiness down to the individual Soldier level. It was developed in Pennsylvania in support of the 28th Division's rotation to Bosnia, and is now being applied to Operation Iraqi Freedom, and to the 56th Stryker Brigade of the Pennsylvania Army National Guard. Virtual Mission Preparation provides functionality that has application across the Army National Guard to improve deployability, as well as the capability to meet Army, Defense Department and emergency response mission requirements.

The Bureau, through initiatives managed by the Communications directorate and the Chief Information Officer, is ensuring that the vision of supporting the warfighter and transforming the Guard is supported through an approach that casts off the old lock-step, stove-pipe method to Information Technology and moves to a truly interconnected, net-centric information sharing capability.

Transforming the Mobilization and Demobilization Process

Today's global environment does not allow for the luxury of time that our current Cold War era-mobilization process requires. The modern, smaller, all volunteer military needs access to the reserve components within days or weeks—not months.

The U.S. Joint Forces Command was tasked by the Secretary of Defense to coordinate the development of a more agile and responsive process to mobilize units and individuals within the reserve components. As a result of this tasking, the command established "Tiger Teams" that consisted of subject matter experts from the reserve and active components, defense agencies, and the Joint Staff to study the mobilization process and make recommendations.

The Bureau fully participated in the workshops, endorsed the recommendations of these teams, and is working closely with the U.S. Joint Forces Command to improve the readiness and accessibility of the National Guard for its federal mission. In order for this to occur, the reserve components must be funded at a higher level of readiness and the mobilization process must be updated so that the efficiencies of automation and training during the course of the year can be capitalized upon.

The lead agency within the Bureau for this effort is the newly-

organized Directorate of Logistics. They are the point of contact for all coordination and inquiries by the Office of the Secretary of Defense and combatant commands regarding logistical and mobilization matters as they relate to the National Guard. In the past, the Army and the Air National Guard had no Bureau-level counterpart to interface with the Office of the Secretary of Defense or with joint commands. The joint Directorate of Logistics fills this void and is designed to strengthen the interoperability of the Bureau with the other services and components.

In addition to spearheading our efforts to reform the mobilization and demobilization process, the directorate is an active member of a newly formed multi-government agency committee of senior logisticians that is chartered to develop a National Logistics Strategy to support the National Response Plan. The group is working with U.S. Northern Command to identify all logistics sources to support Homeland Defense and Homeland Security needs.

State Adjutants General

Alabama
Major General Crayton M. Bowen
The Adjutant General, Alabama

Alaska
Brigadier General (AK) Craig E. Campbell
The Adjutant General, Alaska

Arizona
Major General David P. Rataczak
The Adjutant General, Arizona

Arkansas
Major General Don C. Morrow
The Adjutant General, Arkansas

California
Major General (CA) (Ret) Paul D. Monroe, Jr.
The Adjutant General, California

Colorado
Major General Mason C. Whitney
The Adjutant General, Colorado

Connecticut
Major General William A. Cugno
The Adjutant General, Connecticut

Delaware
Major General Francis D. Vavala
The Adjutant General, Delaware

District of Columbia
Major General David F. Wherley, Jr.
Acting Commanding General

Florida
Major General Douglas Burnett
The Adjutant General, Florida

Georgia
Major General David B. Poythress
The Adjutant General, Georgia

Guam
Brigadier General (GU) Robert M. Cockey
The Adjutant General, Guam

Hawaii
Major General (HI) Robert G. F. Lee
The Adjutant General, Hawaii

Idaho
Major General John F. Kane
The Adjutant General, Idaho

Illinois
Brigadier General (IL) Randal E. Thomas
The Adjutant General, Illinois

Indiana
Major General R. Martin Umbarger
The Adjutant General, Indiana

Iowa
Major General G. Ron Dardis
The Adjutant General, Iowa

Kansas
Major General (KS) Tod M. Bunting
The Adjutant General, Kansas

Kentucky
Major General (KY) Donald C. Storm
The Adjutant General, Kentucky

Louisiana
Major General Bennett C. Landreneau
The Adjutant General, Louisiana

Maine
Brigadier General (ME) John W. Libby
The Adjutant General, Maine

Maryland
Major General Bruce F. Tuxill
The Adjutant General, Maryland

Massachusetts
Major General (Ret) George W. Keefe
The Adjutant General, Massachusetts

Michigan
Major General (MI) Thomas G. Cutler
The Adjutant General, Michigan

Minnesota
Major General Larry W. Shellito
The Adjutant General, Minnesota

Mississippi
Major General Harold A. Cross
The Adjutant General, Mississippi

Missouri
Brigadier General (MO) George D. Shull
The Adjutant General, Missouri

Montana
Major General John E. Prendergast
The Adjutant General, Montana

Nebraska
Major General (NE) Roger P. Lempke
The Adjutant General, Nebraska

Nevada
Major General Giles E. Vanderhoof
The Adjutant General, Nevada

New Hampshire
Major General John E. Blair
The Adjutant General, New Hampshire

New Jersey
Brigadier General (NJ) Glenn K. Rieth
The Adjutant General, New Jersey

New Mexico
Brigadier General (NM) Kenny C. Montoya
The Adjutant General, New Mexico

New York
Major General Thomas P. Maguire, Jr.
The Adjutant General, New York

North Carolina
Major General (NC) William E. Ingram, Jr.
The Adjutant General, North Carolina

North Dakota
Major General Michael J. Haugen
The Adjutant General, North Dakota

Ohio
Major General John H. Smith
The Adjutant General, Ohio

Oklahoma
Major General (OK) Harry M. Wyatt
The Adjutant General, Oklahoma

Oregon
Brigadier General Raymond C. Byrne, Jr.
The Acting Adjutant General, Oregon

Pennsylvania
Brigadier General Jessica L. Wright
The Adjutant General, Pennsylvania

Puerto Rico
Brigadier General (PR) Francisco A. Marquez
The Adjutant General, Puerto Rico

Rhode Island
Major General Reginald A. Centracchio
The Adjutant General, Rhode Island

South Carolina
Major General (Ret) Stanhope S. Spears
The Adjutant General, South Carolina

South Dakota
Major General (SD) Michael A. Gorman
The Adjutant General, South Dakota

Tennessee
Major General Gus L. Hargett, Jr.
The Adjutant General, Tennessee

Texas
Major General Wayne D. Marty
The Adjutant General, Texas

Utah
Major General Brian L. Tarbet
The Adjutant General, Utah

Vermont
Major General Martha T. Rainville
The Adjutant General, Vermont

Virginia
Major General Claude A. Williams
The Adjutant General, Virginia

Virgin Islands
Brigadier General (VI) Cleave A. McBean
The Adjutant General, Virgin Islands

Washington
Major General Timothy J. Lowenberg
The Adjutant General, Washington

West Virginia
Major General Allen E. Tackett
The Adjutant General, West Virginia

Wisconsin
Major General (WI) Albert H. Wilkening
The Adjutant General, Wisconsin

Wyoming
Major General (WY) Edward L. Wright
The Adjutant General, Wyoming

THE NATIONAL GUARD BUREAU
1411 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VIRGINIA 22202-3231

Senator CHAMBLISS. Thank you very much, General. Thanks for mentioning the 116th. They hold a very special place in my heart, as does all the activity at Robins. That particular unit is, without question, going to be the model for the future of the integrated and blended force. General Lynn and his folks are doing a terrific job, and it always makes me feel good when I have an Army officer come in here and testify about what's going on, on the battlefield. Invariably, every one of them will mention they couldn't do their job without JSTARS. For that to be a joint operation of the Guard and Reserve, says an awful lot about the men and women, but it also says an awful lot about the leadership. So I appreciate all of your comments.

If you heard my opening statement, I talked about the situation involving sexual assault. The incidence of sexual assault in any of the Armed Forces, including our forces in Iraq, has resulted in the Secretary of Defense directing a review of policy and programs aimed at preventing sexual assault, investigating and prosecuting offenses, and responding to the needs of victims. I'd like for each one of you to tell us what you've done in your organization in response to the DOD review and your assessment of what needs to be done in your organization to ensure appropriate policies and programs are in place.

General Blum.

General BLUM. Certainly, sir. First of all, we see sexual assault as a reprehensible crime. It must be dealt with harshly, immediately, and fully, and I'll let General Schultz tell you what we're doing with the Army Guard leadership. General James will address what we're doing with the Air Guard leadership to make sure that this is well-understood by all service members in all ranks.

General Schultz.

General SCHULTZ. Mr. Chairman, based on the point you raised, I've been working with the Army staff, and our members of the staff as well, with regard to developing Army policies. The one case we've had in the Guard, that was a soldier who was on active duty

at the time, but no doubt she's still a member of one of the State Guards, and we carry the very specific intent of looking after her own well-being as we move through a pretty troubling case. We have, inside the Army, been part of the review process. In other words, we review the rules and the policies that need to be in place. We've had very active, aggressive staffing on the points you raise here of concern.

Even though the circumstance that I'm talking about took place on active duty, we've been in touch with the installation commander and the staff down there to make certain that we can contribute in any way, in a constructive sense, to the outcome of those cases.

General JAMES. Mr. Chairman, as far as the Air National Guard is concerned, we have taken the lead on that. The Vice Chief of Staff of the Air Force is polling our units to find out how big a problem we have. What I'm concerned about is whether or not we have the proper training and the proper tools for the leadership of these units out in the field so that they can identify, counsel, and prevent sexual assault. That's the bottom line.

In concert with that, I have personally contacted every Adjutant General (TAG) in the States and asked that they talk to each one of their unit commanders to make sure that they're aware of what's available, that they understand the signs, and that they have processes in place that will not only identify the problem and train for awareness of the problem, but will also make sure that we bring justice to the situation, and that we are approachable and understand the depth that the victim feels when something like this happens.

Today, I'm only aware of two cases that have come forward. I would not be surprised if there were more, but I do know that we are focusing on this, and we will take appropriate action, and all of our folks out there in the field will have the proper processes and procedures in place to make sure that this criminal behavior is not indicative of our service.

Senator CHAMBLISS. General, this issue is going to continue to get a lot of focus and a lot of attention from this subcommittee, because we're simply not going to tolerate this, whether it's the Active Force, Guard, Reserve, or whoever. The best way that we can find out what's going on is to hear from you, and you in turn will ask your leadership the right questions. If you don't ask the right questions, you're not going to get the right answers; therefore, oftentimes, we're not going to get the right answers, and then we're going to turn around and read a story in the newspaper about some incident that's happened.

I would urge that each of you pay extra attention to this issue and make sure that your leadership is well-aware of the commitment and obligation of each of your respective branches to ensure that this doesn't happen, and, when it does, that proper treatment is given. Likewise, the members of this subcommittee, as well as every Member of the United States Senate, knows that this is such a critical issue and that we want to make sure that the resources are available to you, and that you have all the tools that you need to deal with this issue. We're going to continue to ask you questions relative to this issue at every opportunity. It's an area of lead-

ership where we simply need to start at the top and work all the way to the bottom to make sure that the policies of each respective branch are being carried out.

General Blum, it seems that every week we're reading stories about recruiting and retention relative to Guard, Reserve, and the Active Force. While we're doing pretty well right now, although we've had some slack times with Guard recruiting, we want to make sure that we're doing everything, from a legislative perspective, relative to giving you the tools necessary to continue to recruit America's finest in each branch of the Guard and the Reserve. As each of you know, what we've tried to do is equalize some of the benefits from the Guard, Reserve, and Active Force standpoint.

If you will, tell us the reaction on the other end. Are we giving you what you need? Are there additional measures that might be given to you that will provide your recruiting forces with better opportunities to recruit men and women, as well as retain men and women?

General BLUM. Thank you, sir. First of all, what we're seeing is the all-volunteer force being tested for the first time in a crucible of an extended war. We're going to see how our young men and women of this Nation are influenced to join, and see who influences those young men and women to join the military, in either the active, Reserve, or National Guard. This year is somewhat even more trying for two reasons. One, we're sustaining casualties on an all-too-regular basis, and, two, there's some debate as to how we're prosecuting this war, and people have varying attitudes on it.

As long as the American people feel that what we're doing with our military is right, and that we are truly defending our way of life, our liberties, our freedoms, our neighbors, and our loved ones, I think the young men and women of this country will respond, and they will answer the call to colors, and they have, and they are. All of this is counterintuitive, frankly. I will be quite frank and tell you that I thought recruiting would wane. I thought reenlistments would fall off, and I thought we would be in a lot more trouble maintaining our end strength right now than we are having.

Now, having said that, we watch it every day, because in the Guard and Reserve, as this subcommittee, in particular, recognizes, there's three partners to that citizen soldier being there. It's the soldier himself or herself, it's their family, and it's their employer. If any one of those three legs to that three-legged stool fails, we will fail and be unable to raise and train and have the capability to respond which this Nation needs. So we watch this very carefully.

In summary, the Air National Guard and the Army National Guard are confident that they will make their end strength this year. We do have a few little hiccups, and there's reasons for those hiccups. About half of our force used to come from prior service. In other words, they'd come out of the active-duty Army, Navy, Marine Corps, Coast Guard, and Air Force, and some would join our ranks. About half of our enlistments every year could be attributed to that. Right now, the propensity to do that is less, because if they come into our ranks, the likelihood is that they will be deployed, and they may as well stay on active duty if that's the case. If they truly want to end their military career, and they don't want to end

up right back overseas in the short range, they'll probably not have the propensity to join the Guard or the Reserve. There is a manpower pool and a personnel fill pool that I think will come back in time. But, right now, that is hurting us.

In spite of that, however, we are making our end strength, because we are doing well in bringing first-term enlistments in, and we're doing much better than we've projected to do on reenlisted. These soldiers that you see here are staying with us, in numbers higher than we anticipated. Thank goodness for that, because without that we would be in trouble right now. We're watching that propensity to reenlist. If that falls off, then, again, we will have difficulty maintaining our end strength.

One place that has been suggested by Senator Dole where we could use some help is in the combat zone. We talked about equality, and we've talked about equity. Once you're mobilized, everybody over there bleeds red. Everybody faces the same hardships and dangers, so there should be an identical, not similar, place where benefits, compensation, and opportunities should be identical. Right now, active-duty soldiers in the same foxhole with these young men can reenlist with a tax-free reenlistment bonus, and we cannot access that because of policy and statute. I think we need to address the policy, and if you see it appropriate for Congress to address the statute, that would be welcome.

Senator CHAMBLISS. General, you heard Secretary Hall state that he estimates that 40 percent of the men and women in Iraq will be Guard and Reserve when the current rotation is completed. I've heard higher numbers, but let's assume it's 40 percent. That's significantly higher than where we are today. Are your men and women prepared to meet that challenge?

General BLUM. Absolutely, sir. The forces that we're sending in, the 81st, the 30th, the 39th, and the forces that have been identified, the 278th, the 256th from Louisiana, the 116th from Idaho, and the 42nd division headquarters out of New York, will be the best-trained, best-equipped American soldiers, and best-prepared to do what they're being asked to do of any American soldiers or any other army that has ever deployed to go into a combat zone. I honestly feel that way. That is not the way we were when we sent some of the young soldiers that you see here today. Some of them had to overcome a system that did not prepare them as well as the next group will be and as well as the next group that is just arriving in theater right now currently is.

Every soldier over there now has the body armor. Every soldier over there right now has the ballistic helmet. Every soldier that we're deploying from the National Guard has the new weapons system, new siting systems, and the individual rapid-fielding initiatives. The Army has put their money where their mouth is on this, and they've put it in front of active-duty soldiers. We got it before certain elements of active-duty soldiers that are deployed. So the Army has truly, for the first time in my lifetime, put us first and put the National Guard combat soldiers as "the" priority for equipping, training, and preparing them for this mission. The short answer is absolutely yes, sir.

Senator CHAMBLISS. General James, we talked about the 116th and the JSTARS. We have an issue there on re-engining those

weapons systems, and of course, we have three options. We can either do nothing, which is going to be expensive from the standpoint of upkeep; we can buy new engines; or we can lease new engines. Could you tell me what thought process is going on and how we're moving in a direction of addressing this issue?

General JAMES. You have it just right. There are three courses of action we could take, all of which are going to cost us money or performance. If we stay the way we are, the upkeep of the current engines increases and the ceiling that the aircraft can operate is diminished. The upkeep gets to be expensive. Purchasing new engines is also expensive.

The lease program looks most attractive to me because this is an issue where it's already been benchmarked in the airline industry. The proposed lease will get the amortization rate down to as low as 11 years if they use the front-end funding that they'd like to use. Originally it was going to be about 14 years. There was some funding earmarked to increase the redline on the current engines. In other words, the hot section of the red engines that allow it to operate a little differently, and a little higher. It doesn't provide us any more thrust, really. I have talked with people from Northrop Grumman and Pratt & Whitney, and I personally think that the lease is probably the best way to go.

We don't want to do anything that's going to jeopardize a follow-on aircraft or mission, so we have to look very carefully at the monies we spend and make sure that they will be spent wisely, that it will give us the performance that we need, and it will not jeopardize a follow-on command-and-control surveillance airplane.

Senator CHAMBLISS. Okay. Thank you.

Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Let me add my comments to what Senator Chambliss said about sexual assault. It's clear that the standard has to be for zero tolerance, with the expectation that someday we will achieve that with education, training, and prosecution. I said a few weeks ago that I didn't get a sense of passion from the military in dealing with this. At that time, it seemed that the military treated it as an annoyance, as opposed to a significant problem. This was before it was brought to the level that it is at right now. I'm sensing that perhaps there is a change. I'm not going to suggest it's because we're raising the issue that that's happening. I think perhaps it's a recognition that this is more than an annoyance, that it is a serious problem, particularly when young men and women in the military face dangers from their own personnel, in many instances, rather than from the enemy. Consequently, I appreciate what you're seeking to do, but I hope that you can extend our concern to the commanders under your command, so that they can deal with it with the same passion I think we all have to. It's just absolutely unacceptable behavior. It's not an annoyance; it's a major problem that needs to be dealt with, and you should deal with it that way. I sense there is a changing—maybe more a demonstration of concern. I'm not going to suggest for a minute that you've looked at it as an annoyance, but I think people below you have said, "Oh, here we go again," or, "Now, this is a lot of paperwork," or, "Now, I'm going to have to spend a lot of my time dealing with

this issue." If we can treat it the way I'm suggesting, I think perhaps the incidents will reduce, and then someday we can hope that we'll be free of that kind of activity. So I appreciate it.

I note, in the training, on how important it is to have current training for current needs. As you said, when the Guard and Reserve units were left during the interim, following the Korean War or Vietnam, it was a Cold War preparation, not a current force prepared to deal with current requirements. We need to be prepared for what future requirements may require, which may involve retraining and reprogramming and retooling to be ready to go. Now, General Schultz, I understand that beginning as early as last December, the bill-payer drills have sought substantial funding reductions from the Army National Guard, including several hundred million dollars from your pay account in order to come up with funding offsets that can be used to help address the shortfalls resulting from the Army's enormous expenditures caused by the deployments to Iraq and Afghanistan. We're now at the midpoint of the fiscal year already, and we know that the Army and the OSD will be conducting midyear reviews to determine whether the funds provided for fiscal year 2004 will be sufficient to last the year and how to realign funding from other programs to make up the shortfall.

Does the Army National Guard have any excess or lower-priority funding that can be made available to address the financial challenges faced by the total Army in the current fiscal year? I'll ask you that in a second. With thousands of soldiers mobilized and deployed, the Army National Guard should be experiencing some cost avoidance from your active-duty and annual training accounts. In light of this cost avoidance, I understand that the Army has cut some of your fiscal year 2005 training funds. The second question is, do you have enough training funds budgeted to do the kind of training, retraining, and retooling to have a current force to keep up?

First, do you have any of those funds that might be lying around in unused accounts that others are going to go after? Second, if those funds are taken from you, and you're inadequately funded to train, how are you going to meet the expectations that General Blum has already indicated?

General SCHULTZ. Senator, the Army National Guard has been reduced in our personnel accounts by $334 million for the current year. That's a part of the mobilization offset. In other words, we have 90,000+ soldiers on active duty today, and so the discussion would be that some of that money could come back into an Army or an OSD set of budget interests.

Senator BEN NELSON. Will it balance, at the end of the day?

General SCHULTZ. Senator Nelson, the Guard today has enough money to get through 2004.

Senator BEN NELSON. With adequate training to maintain a current force with the kinds of training that you need to do what your current expectations are, or future expectations?

General SCHULTZ. Right. Our operations and maintenance funds have not been reduced. Personnel accounts have been reduced by the amount that I just outlined.

I've met with General Schoomaker, our Chief of Staff, and he said, "If you get in trouble, you can count on me to help you out." I have the Chief's backing should we get in a real bind. As you might imagine, we have moved all kinds of money in different places than we had started this training year, because we've mobilized so many more units than we had originally planned.

So in 2004, we're okay with our personnel and operations accounts. In 2005, there's already an anticipation that we're going to have some level of mobilization. So in the budget planning, our accounts have decremented by a certain estimate, and what our 2005 active-duty strength would be is unknown right now. So the accounts are, right now, being adjusted for those amounts.

Senator BEN NELSON. The obvious concern I have is, as this money moves from one account to the next, sort of like musical chairs, at the end of the day, will one of those accounts be short as you move around? That is a concern. I'm not asking you to answer that, because you're in the process of receiving and giving; and, at the end of the day, it's General Schoomaker's choice to do it. He may come over to General James and say, "We need a little bit of money. Can you help us out through the rest of the year?" [Laughter.]

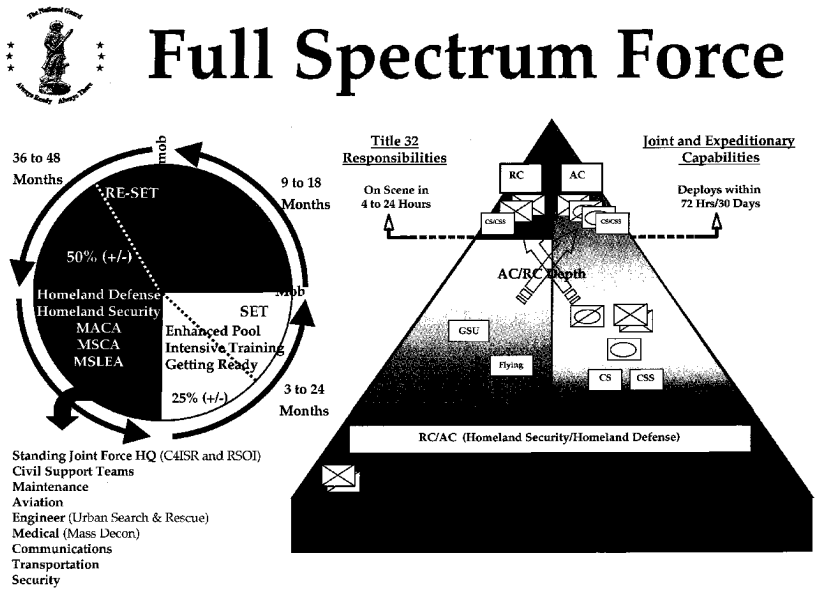
I'm sure the Air Force, as a matter of courtesy, will be very glad to extend that to the Army. But we are concerned with seeing that the training and the retraining that General Blum's talking about occurs. In my experience, when you start seeing cuts and moving money around, something gets left out. It's not going to be payroll. Instead it's usually research and development, but in your case, training and retraining that can be deferred. It's sort of like deferred maintenance: put it off just a little bit more, we'll get it in the next year. This is a town where next year doesn't always come, when it comes to budgeting and putting things off.

General SCHULTZ. Senator, I might also say, we've learned a lot of lessons from OIF mobilization rotation number one, and we're now calling units to active duty earlier than we did during that initial period of mobilization. So there would be a burden, not on Guard accounts, but more so on the title 10, active-Army pay account, even more so than ours. We call it a phased mobilization. But it does move money in different places, for sure.

Senator BEN NELSON. We just hope, at the end of the day, that all those accounts have the money that will be required to do what is expected and required of the Guard and Reserve. General Blum, you made an excellent point in saying that you've moved from where the Guard was looked at as the equivalent of stepchildren, and to the point now where you are coequal partners in warfighting, as well as in preparedness for warfighting. From my standpoint, as a former governor, I think that's encouraging. It's also discouraging, because they pull you out, and governors still need a presence, and suddenly what they need is now deployed somewhere else. It's a mixed bag. We want you to be in the position you are, but we also want to make certain that the homeland and the hometown and the home State needs are being met.

General BLUM. Sir, if I could address that for just a moment. I met with the National Governors Association just about 3 weeks

ago, and if I could get one of my guys to put up a big pie chart in the back of the room right now.



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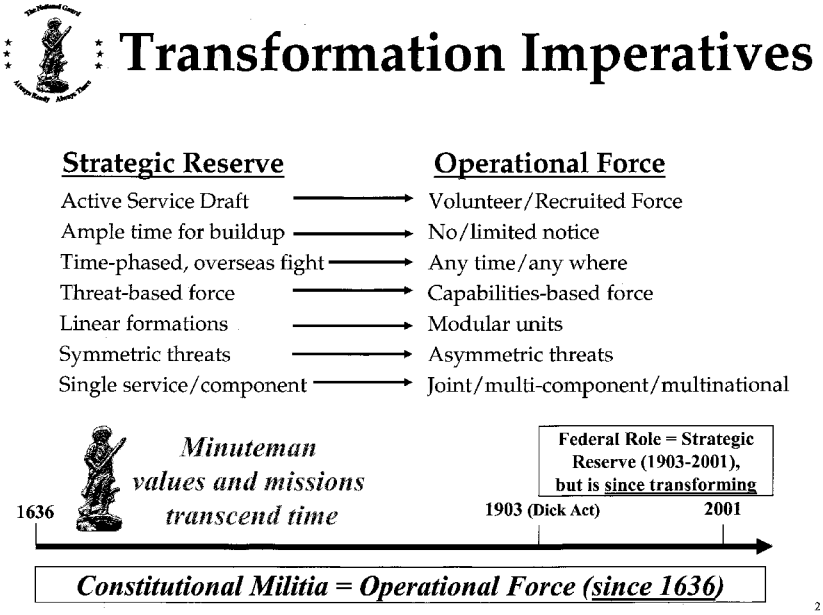

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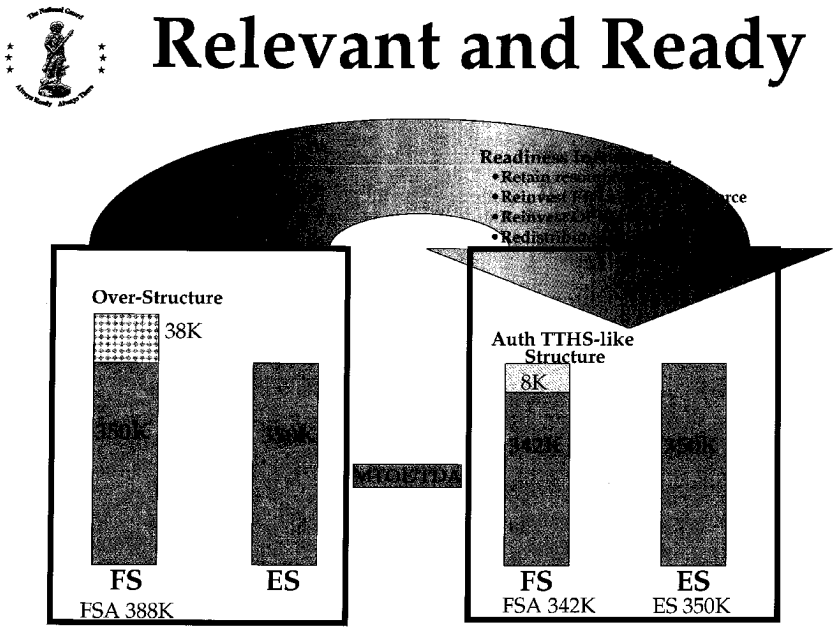
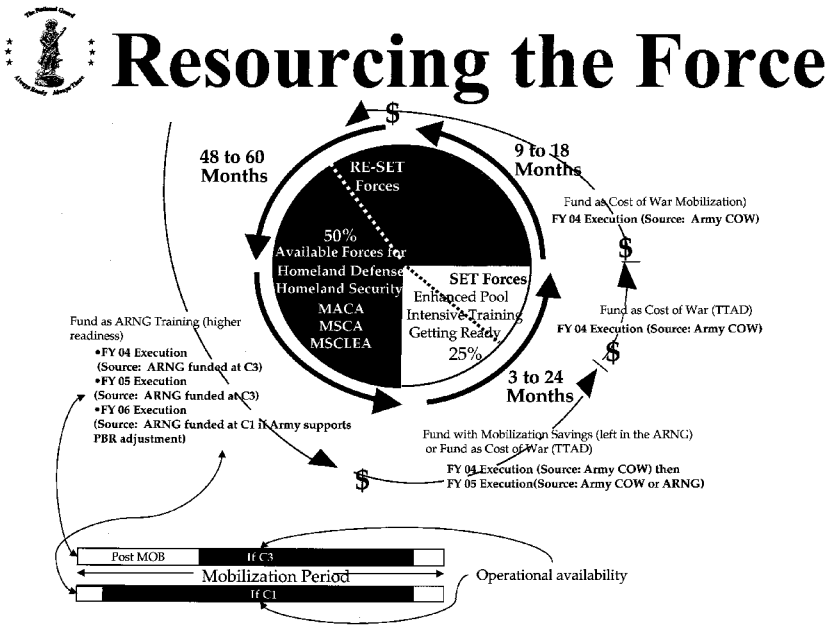




General BLUM. This is what I committed to the 51 of the governors of the 54 that were present. The other three, I've already subsequently spoken with one on one, but they too, agree that this

makes sense to them, and I'd submit it to you. With your previous experience, you'd be well-qualified to see it. This would satisfy your appetite for being able to fulfill your duties and responsibilities and authorities as the elected official of the State, as the governor, and also as the commander in chief of your National Guard.

If you look at the pie chart over here, this green quadrant represents the reality of what we're suffering right now. It depends on how you want to characterize it, but that green quarter piece of that pie chart shows that about 25 percent of our force is deployed overseas, is unavailable to their families, their employers, and certainly to the governors to be able to respond in the State or the territory.

What I promised the governors is that the yellow block is the next 25 percent that we've identified that is going to be getting ready. For some period of time, they are available to the governors on shorter periods of responsiveness, but mostly their focus is getting ready to go do the overseas warfight. We don't want to interrupt that if we don't have to. If circumstances are sufficient, then that force is available to the governors.

The other part, the half that's in red, is always available to the governors. What I have committed to the governors, is, in our rebalancing, as we move to modularity, as we redistribute capabilities around the Nation so that each governor has transportation, aviation, engineers, communications, command and control, civil support teams, or teams that are tailored to handle weapons of mass destruction or counterterrorist type response, ultimately in every State, then we can ensure that this model that you see here would be kind of the dashboard model for every State and territory.

When I came in as the Chief, in April, it wasn't that way. As a matter of fact, some States had 75 percent of the State guardsmen on green, gone, and left the governors with virtually nothing. I don't want the governors calling the President of the United States, saying, "You're leaving me uncovered. You have to make a choice whether your Guard goes overseas or stays at home."

What we need to do is rebalance our force, spread the burden, share the pain, so that no governor has to put more than a 25 percent contribution for the overseas warfight, short of World War III. I'm talking about the rate we're being used for the last 3 years, and we anticipate will be used for the next 2 or 3 years, at least. This model is pretty good.

General Schultz, General James, and I are working very closely with the Joint Staff, DOD, Joint Forces Command, and forces command, in particular, to make sure that when we call up a unit—for instance, if we were to call up Pennsylvania, and we need the 28th Division, we don't want to take 80 percent of Pennsylvania out. What we need to do in the future is redistribute those one-state divisions into multi-state divisions, and one-state brigades into multi-state brigades. The governors see this. I've talked to the TAGs, and about 85 percent of them are onboard right now too. They'll ultimately all come onboard, because it's the right thing to do for America.

That's where we're going, sir, and I hope that addresses the fact that we are taking not only sexual assault seriously, we're taking homeland defense seriously, as well.

Senator BEN NELSON. Thank you, General. I think you very definitely are. I recall my days with Adjutant General Stanley Hing, who, unfortunately, is experiencing some health challenges right now, but I had to rely on him on numerous occasions, due to emergencies such as floods, windstorms, and the like.

General BLUM. Absolutely.

Senator BEN NELSON. We had to rely on that.

I think what you're doing is rebalancing within the Guard and Reserve units, and I think that is important. I am concerned about Secretary Hall's statement that we're rebalancing. We're not necessarily rebalancing between Guard and Reserve units and active duty, and that's what we're probably going to spend some more time on. I think the Chairman and I are concerned. Maybe we don't fully understand it, but to the extent that I understand it right now, I'm a little bit concerned that we're just setting up the Guard and the Reserve units, not as excess, but alongside on a primary basis. I'll have to learn more about that and understand the logic of that.

Certainly the rebalancing within the Guard strikes me as an important thing, not just for the States, but for a fair deployment, as well.

General BLUM. If we're going to continue to use the Guard and the Reserve as we have been using it for almost the last 3 years, and what we see as the foreseeable future, we really need to look at the resourcing model for your Army National Guard and your Army Reserve if you're going to use them as an operational reserve. General Schultz is absolutely correct in what he said, and I would have said exactly the same words, or very similar.

It is not resourced today to be an operational reserve. The Air Guard is. The Air Force Reserve is. The Army Reserve components are not, and it needs some attention. General Schoomaker understands this and is committed to trying to do something with that, but we may need some help on that when the end of the day comes.

Senator BEN NELSON. One further thing. General James, I know that, as General Blum just said, the Air Guard is already involved in an operational setting. It's my understanding that, as part of homeland security, the Air Guard will be available to provide additional air support in the event of some question about an air emergency like September 11, when aircraft were mobilized. These aircraft would try to intercept, or at least be in position to intercept, the flying bombs that were the result of the terrorist attacks. But now we have mechanisms in place to have various capacity for mobilization and scrambling in the case of air emergencies. We have somewhere around 1,700, as I understand it, since we've been in that position. So, operationally, that clearly makes sense for homeland security. I know you're also operational for support and have been for the war in Iraq and Afghanistan, as well.

But can you tell a little bit about what's happening there, which really is homeland security, for that mobilization?

General JAMES. Senator, what happened was, as a Nation, we made an assumption that we would be attacked from outside our borders. At that time, we had seven alert sites, with two aircraft each. We had 14 aircraft poised to defend America from outside. Our radars did not look inward. They all looked outside. Our abil-

ity to coordinate between the Federal Aviation Administration (FAA) for air traffic, deconfliction, and situational awareness was all in a peacetime external-threat environment. Since that time, we've made great strides. We may have had 14 airplanes on alert when that happened, but, within hours, we had 24, 44, 78, and, by the end of the day, we had hundreds of airplanes that were ready to go all across the Services.

Right now, we're operating 16 alert sites. We also have what we used to call "random unscheduled combat air patrols" that are launched in response to different things, from the President's travel to other threat scenarios and threat levels that we're made aware of. So we've come a long way in that regard.

Now, I will tell you, just as that day, 100 percent of those airplanes that were on alert were Air National Guard, because that was the mission that we had accepted. Right now, we have one active-duty alert site, and of the 16, all are Air National Guard.

So we've increased the number. We've also increased the flexibility. We have sites now that are not permanent sites, but we can bring aircraft up on alert, spread out throughout the United States. The majority of the Combat Air Patrols (CAPs) are now flown, as they weren't originally, by the active component. That's the agreement we made so that we could come up to the 16-site number. There's a bill out there to pay for that. It's about $170 million per year that we still have to get resolved between Air Combat Command and the Air National Guard for the Future Years Defense Program (FYDP). It's expensive, but it's certainly money well spent, in my estimation. We've come a long way.

Senator BEN NELSON. I appreciate that. Thank you very much. Thank you, Mr. Chairman.

Senator CHAMBLISS. Thank you.

General, one last question. The issue of making TRICARE available to non-active-duty members of the Guard and the Reserve was put on the table last year. It's going to be up for discussion again this year. Apparently, OSD does not put this at a very high profile, from the standpoint of where funds can and should be expended. What's the thought of the Guard relative to making TRICARE available to your men and women when they're not on active duty?

General BLUM. As I said, sir, at the very outset it's all about people, and we're committed to taking care of our people and their families and, as an adjunct member of their family, their employers and that relationship because that is the cornerstone that enables us to be the organization that we are.

When we're on active duty, TRICARE is identical to the benefits for active-duty soldiers, service members, and their families. Post-mobilization, for 180 days is identical for soldiers leaving active duty. The Guard experiences the same thing.

Where we have a discrepancy, inequity, or where we don't have parity or identical systems is in the pre-mobilization piece. You alluded to that earlier. There are certain times when things should be identical and equitable; and then there's other times where the service isn't exactly identical and equitable, and maybe the compensation or the benefits should not be equal.

I'm more interested in medical readiness, as a readiness issue. As a taxpayer and as a senior military leader, I don't want to

spend a quarter of a million or a half a million dollars training soldiers or airmen, and then when I need them the most, I can't deploy them because they were not medically ready.

Right now, the Guard and the Reserve are in a real quandary. Our commanders have responsibilities, but they don't have the authority and they don't have the resources to address the medical readiness that we really need to address pre-mobilization, prior to them being called to active duty. The same thing is even extended to the families when you talk about healthcare there.

I think that needs to be looked at in a holistic manner. I wouldn't rush into this one, because it is a very complex issue. We're not even in agreement among the senior leaders. We agree on what I just said, but we do not agree how to fix that right now, and I think that needs to be carefully studied.

Probably what would be useful is the provisions that Congress put in place last year. They seemed to be reasonable, and we probably ought to use that as a test case. I would encourage them to be extended. We could carefully study that and see if we need to make any adjustments down the line before we rush wholesale into trying to fix a problem. The cure could be worse than the disease.

Senator CHAMBLISS. This issue is going to continue to be debated as we go through the authorization process, so as senior leadership continues to discuss this, I wish you'd keep us informed as to the thought process that you have on this issue.

General BLUM. Yes, sir.

Senator CHAMBLISS. Gentlemen, thank you very much, again, for your service to our country. Thanks for being here today. Again, we may have written questions from Senator Nelson and myself or other members of the panel. If we do submit them to you, we would appreciate a very prompt response.

Thank you.

General BLUM. Again, thank you for the opportunity to appear, and thank you for your strong support of our uniformed service members.

Senator CHAMBLISS. Our next panel will consist of Lieutenant General James R. Helmly, Chief of the Army Reserve; Vice Admiral John G. Cotton, Chief of the Naval Reserve; Lieutenant General Dennis McCarthy, Commander of the Marine Forces Reserve; and Lieutenant General James E. Sherrard, Chief of the Air Force Reserve. Gentlemen, if you all would please find your seats. [Pause.]

Gentlemen, thank you for being here. Likewise, we would say to you, thanks for the great work you do, and your leadership is just so valuable to our country in these very difficult times. I hope you will express to all the men and women serving under each of you how much we appreciate their service to our country and their great patriotism for America.

I want to take a moment of personal privilege to say to my good friend, Jimmy Sherrard, that we're going to miss you, come June 1. Of course, you've announced you're going to be leaving and retiring, and even though that's delayed by a year, we needed you, and we appreciate very much you staying around.

General Sherrard was actually at Dobbins Air Force Base in 1994 when I was first elected to Congress. He came to Robins in 1995, about the time I got there and was sworn in, and Robins Air

Force Base is kind of the heart and soul of middle Georgia. He knows what a spot in my heart it has. General Sherrard and his wife, Marsha, and I became very good friends. They are great Americans. Jimmy, it's been a real pleasure to get to know you and have a chance to work with you. We will miss you, but we know you'll still be around. You've been through some difficult times personally and professionally, and we're glad to see you looking so good, and we're glad you're here today, and we look forward to hearing from each of you.

General Helmly, we will start with you. We have your written statements, so if you'll please take a minute to summarize those statements, we'll move ahead.

STATEMENT OF LTG JAMES R. HELMLY, USAR, CHIEF, U.S. ARMY RESERVE

General HELMLY. Thank you, Mr. Chairman.

I also acknowledge General Sherrard's service and sacrifice for our country. We are, in fact, all members of the joint team, and I would tell you that the soldiers of the Army Reserve and, I'm sure, my peers at the table and in the National Guard are privileged to serve with General Sherrard.

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity and, indeed, the honor to testify on behalf of the 211,000 soldiers, 12,000 civilian employees, and the families of the United States Army Reserve, an integral component of the world's greatest army, an army at war for a Nation at war. I'm Ron Helmly, and I'm an American soldier in your Army, and very proud of that.

I'm joined this morning by Command Sergeant Major Michele Jones, the senior enlisted soldier of the Army Reserve, and two Army Reserve veterans of the current war and operations in Iraq, First Sergeant Bradley Irish, the senior noncommissioned officer of the 299th Engineer Bridge Company, and Sergeant Andrew Carnahan, a squad leader in that same unit. [Applause.]

First Sergeant Irish is a schoolteacher from Maryland, and Sergeant Carnahan is a college student at the current time. The 299th was attached to the 3rd Infantry Division, the Marne Division, in their heroic and history-making march on Baghdad, and, in fact, was one of the first Army units since World War II to perform a river crossing, opposed under fire, in order to allow the 3rd Division to move to the other side of the Euphrates River.

Today, as we speak, nearly 60,000 Army Reserve soldiers are on active duty in Iraq, Kuwait, Afghanistan, the Continental United States, and elsewhere around the world as part of America's global war on terrorism, serving courageously and proudly. They are joined by another 151,000 Army Reserve soldiers training and preparing for mobilization, or resting and refitting after just being demobilized. These modern-day patriots are your neighbors who live in your communities, work in your factories, teach your children, deliver your babies and your mail, and share your everyday lives. They willingly answered the call to duty to perform missions that they've trained well for.

Since September 11, 2001, more than 100,000 Army Reserve soldiers have served on active duty as a part of the global war on ter-

rorism. Tragically, 21 of these soldiers have made the ultimate sacrifice in service to their Nation to help keep their fellow citizens and their families and neighbors safe and free. We are deeply in their debt, and honor their memories by our actions here today.

Your invitation to testify comes at a time of profound and unprecedented change and challenge in the dynamics of our Nation's security environment. Since September 11, 2001, we have been embroiled in a war with a wily, determined enemy who is intent on destroying our very way of life. As we engage these enemies, we recognize that carrying out current missions is not, in and of itself, sufficient. The very forces that caused this war to be different from other wars have propelled the world into a period of unprecedented change and volatility. We must simultaneously confront today's challenges while preparing for tomorrow's.

A critical issue that must be recognized is that this is the first extended-duration war our Nation has fought with an all-volunteer force. January marked the 30th anniversary of the all-volunteer force. This tremendous policy change in our Nation has brought the Army Reserve and, indeed, all of our Armed Forces an unheard of and unprecedented quality of our members, yet the all-volunteer force also brings expectations and sensitivities that we must confront with regard to how we support our people, how we train them, and how and when we employ those people.

To meet the demands of our Nation and the needs of our Army and Joint Force team, we must change the way we man the Army Reserve. We must change the way we organize, train, and prepare the force. To accomplish this change, the culture of the Army Reserve must change. This is a period of deep change from the old to the new, but we must forge this change while simultaneously continuing the fight in the current war. We're not simply afforded the luxury of hanging a sign outside the U.S. Army Reserve Command Headquarters in Atlanta that says "Closed for Remodeling." The culture must change from one that expects 1 weekend a month, and 2 weeks in the summer, to one that understands fully and completely, "I am, first of all, an American soldier, though not on daily active duty. Before and after a call to active duty, I am expected to live and, in fact, demonstrate Army and national values. I must prepare for mobilization as if, indeed, I knew the hour and the day that it would come."

Gentlemen, I look forward to your questions. Thank you for the opportunity to be here this morning.

[The prepared statement of General Helmly follows:]

PREPARED STATEMENT BY LTG JAMES R. HELMLY, USA

INTRODUCTION

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity and the privilege to testify on behalf of the 211,000 soldiers, 12,000 civilian employees, and the families of the United States Army Reserve, an integral component of the world's greatest Army; an Army at war for a Nation at war. I'm Ron Helmly, and I'm an American soldier in your Army, and proud of it.

Today as we speak, nearly 60,000 Army Reserve soldiers are on active duty in Iraq, Kuwait, Afghanistan, in the continental United States, and elsewhere around the world as part of America's global war on terrorism, serving courageously and proudly. They are joined by another 151,000 Army Reserve soldiers training and preparing for mobilization or resting and refitting after being demobilized. These modern-day patriots are your neighbors who live in your communities, work in your

factories, teach your children, deliver your babies, your mail, and share your everyday lives. They have willingly answered the call to duty to perform missions they have voluntarily trained for, and to honor their commitment as part of a responsive and relevant force, an essential element and indispensable component of the world's finest land force, the United States Army.

The strength and added value we bring to that partnership is drawn from the people who serve in our formations. With nearly 25 percent of its soldiers female, and more than 40 percent minority, the Army Reserve is the most ethnically and gender-diverse force of all the armed services. Overall, 92 percent of our force holds high school diplomas. Our force consists of individuals who are community and industry leaders, highly trained and educated professionals, experts in their chosen fields who give of their time and expertise to serve our Nation.

Since September 11, 2001, more than 100,000 Army Reserve soldiers have served on active duty as part of the global war on terrorism. Tragically, 21 Army Reserve soldiers have made the ultimate sacrifice in service to our Nation to keep their fellow citizens and their families and neighbors safe and free. We are deeply in their debt and honor their memories by our actions here today.

THE CHALLENGE

Your invitation to testify comes at a time of profound and unprecedented change and challenge in the dynamics of our Nation's security environment. Since September 11, 2001, we have been embroiled in a war with wily, determined enemies, who are intent on destroying our very way of life. In this global war on terrorism, we are confronting regional powers; facing the potential use of weapons of terror and mass destruction at home and abroad; and struggling with the challenges of how to secure our homeland while preserving our precious rights and freedoms. From the start, we have understood that this will be no brief campaign or a short war. It will be an enduring global war, a protracted war, a long struggle that lacks clear, well-defined borders. Have no doubt, it is a war. It challenges our national will and our perseverance. It tries our patience and our moral fiber. It is a war different, just as all previous wars have been different. Unlike previous wars the Army fought here on our own soil, where we in the armed services must be continually ready to carry out our mission when and where the Nation calls.

As we engage these enemies we recognize that carrying out current missions is not by itself sufficient. The very forces that cause this war to be different have propelled the world into a period of unprecedented change and volatility. We live in a much-changed world and we must change to confront it. We must simultaneously confront today's challenges while preparing for tomorrow's. The Army will maintain its non-negotiable contract to fight and win the Nation's wars as we change to become more strategically responsive and dominant at every point across the spectrum of military operations. The confluence of these dual challenges, transforming while fighting and winning, and preparing for future wars, is the crux of our challenge—transforming while at war.

Last year was my first opportunity to address this subcommittee as the Chief, Army Reserve. I told you then that I was humbled and sobered by that responsibility. That feeling remains and indeed has grown more profound. The Army Reserve is an organization that daily demonstrates its ability to be a full and equal partner, along with the active component of the Army and the Army National Guard, in being the most responsive dominant land force the world has seen. Together with the Marine Corps, Navy, Air Force, and Coast Guard, the Army Reserve of your Army fights as part of the joint team: the sum of the parts is much greater—and that's the power we bring to the battlefield today.

ALL-VOLUNTEER FORCE

A critical issue that should be recognized is that this is the first extended duration war our Nation has fought with an All-Volunteer Force (AVF). January marked the 30th anniversary of the AVF. This tremendous policy change in our Nation has brought the Army Reserve, and the Armed Forces, an unheard of quality of people. Yet the AVF also brings expectations and sensitivities that we must confront with regard to how we support our people, and how we train them, and how and when we employ those people.

Title 10 of the United States Code directs the Army Reserve to provide units and soldiers to the Army, whenever and wherever required. Since 1973, the active and Reserve components have met this challenge with a force of volunteers, men and women who have freely chosen to serve their Nation. Perhaps more than any other existing policy decision, this momentous move from a conscript force to a force, Active and Reserve, manned solely by volunteers has been responsible for shaping to-

day's Armed Forces, the most professional and capable military the world has seen. Working through this sea change in how we lead our force has highlighted differing challenges that we simply must recognize and address if we are to maintain this immensely capable force.

During a recent conference celebrating 30 years of the AVF policy, former Secretary of Defense Melvin Laird discussed its genesis. He explained that while from the start, it was understood that the policy would apply to the Total Force, in reality, after the AVF was established, the focus tended to be almost exclusively on manning the active component—understandable since it was the tip of the spear. But as a result, manning the Reserve components became, in effect, an accidental by-product of manning the active component. This lack of a deliberate focus has hindered the development of force-manning policies that recognize the unique nature of Reserve service. As a result, the "1 weekend a month and 2 weeks in the summer" paradigm was created. For almost three decades, that paradigm has remained largely intact. The world has witnessed major change since we started relying on an AVF. Yet we, in the Army Reserve, allowed the continuance of expectations for our most critical element—our people—our volunteers—for a world that no longer existed.

To meet the demands of our Nation and the needs of our Army and joint force team, we must change the way we man the Army Reserve, we must change the way we organize, train, and prepare the force, and to accomplish this change, the culture must change. This is a period of change from the old to the new. Forging a new paradigm is akin to the depth of change the DOD endured when transitioning from a conscript force to an AVF. But we must forge this change while simultaneously continuing the fight in the current war. We are not afforded the luxury of hanging a sign outside the U.S. Army Reserve Command headquarters that says, "Closed for Remodeling." The culture must change from one that expects "1 weekend a month, 2 weeks in the summer" to one that understands "I am, first of all, a soldier, though not on daily active duty. Before and after a call to active duty I am expected to live Army values; I am expected to prepare for mobilization as if I knew the day and the hour that it would come. I use my civilian skills and all that I am to perform my military duties. I understand that I must prepare to be called to active duty for various periods of time during my military career while simultaneously advancing my civilian career."

The Army Reserve is part of a public institution founded in law. Our mission and our responsibility come from this law. I would like to note that the law does not say for big wars, little wars, short wars, or medium wars, it says whenever our Army and our armed services and our Nation require us, we are to provide trained units and qualified individuals. We must change to continue fulfilling the mandate of that law while simultaneously perfecting and strengthening the quality force we have today.

Accomplishments

The past year has been a full one for your Army Reserve, marked by great efforts and remarkable achievements. Among the most significant have been:

At War—Army Reserve Soldiers Called to Active Duty in 2003

In 2003, the Army Reserve called to active duty and deployed nearly 70,000 soldiers, more than 30 percent of the Army Reserve's 205,000 Selected Reserve end strength, to Afghanistan, Iraq, Kuwait, and theaters around the world in support of Operations Enduring Freedom (OEF), Iraqi Freedom (OIF), Noble Eagle (ONE), and other contingency operations.

377th Theater Support Command Operates Logistics on the Battlefield

The seamless integration of the Army's active and Reserve components was epitomized by the Army Reserve's 377th Theater Support Command (TSC) during OIF. The 377th was redeployed to OIF after performing as the senior logistics headquarters during OEF. Once redeployed, the 377th TSC (headquartered in New Orleans) supported OIF, and reported directly to the Combined Forces Land Component Command.

The joint and coalition flavor that the 377th TSC brought to the fight is a historic first. From the early hours onward, the 377th TSC supported combat operations from Kuwait throughout the entire battle space into Iraq. The headquarters commanded over 43,500 soldiers during the buildup of forces and subsequent combat phase of OIF, and consisted of 8 general officer commands and 8 area support groups. The 377th TSC helped shape the theater logistical footprint and was responsible for supporting the reception, staging, onward movement, and integration of all Coalition Forces, in addition to many other logistical support operations.

Of particular note were the 377th's accomplishments in seaport of debarkation operations in Kuwait. This included the largest wartime combined/joint logistics over the shore operation in over 50 years, at the Kuwait Naval Base. These operations involved over 150 ships, 31,000 personnel, 4,900 wheeled/tracked vehicles, over 6,000 ammunition and general containers, over 29,000 ammunition and general pallets, and over 2,500 other pieces of cargo. The base was operated by units of 377th and the Army Reserve's 143rd Transportation Command (headquartered in Orlando).

Three Consolidated and Streamlined Support Commands Established

• Army Reserve Personnel Command (AR–PERSCOM) Merged with Human Resources Command (HRC)

Effective 2 October 2003, the St. Louis, Missouri-based Army Reserve Personnel Command inactivated and merged with the Total Army Personnel Command to form the U.S. Army HRC. The HRC envisions becoming the Nation's premier human resources provider. The HRC mission is to execute the full spectrum of human resources programs, services, and systems to support the readiness and well-being of Army personnel worldwide.

The HRC executes Army personnel policies and procedures under the direction of the Department of the Army G–1. It integrates, manages, monitors, and coordinates military personnel systems to develop and optimize utilization of the Army's human resources in peace and war. HRC is the activity within the Department of the Army responsible for managing the Individual Ready Reserve (IRR) and Standby Reserve. The HRC will also plan for and integrate civilian personnel management and processes to attain a fully integrated HR focus.

• Army Reserve Engineers Integrated with DA ACSIM

Effective 1 October 2003, the Army Reserve Engineers, formerly known as the Office of the Chief, Army Reserve (OCAR) Engineer Staff and the U.S. Army Reserve Command (USARC) Engineer Staff, transferred to the Army's Assistant Chief of Staff for Installation Management (ACSIM) and Headquarters, Installation Management Agency (IMA).

The former OCAR Engineer Staff (Arlington, VA) was integrated as a separate division within the Department of the Army, ACSIM, as the ACSIM–Army Reserve Division (ACSIM–ARD). The former USARC Engineer Staff (Atlanta, GA) was integrated as a separate division within the HQ, IMA, as the IMA–Army Reserve Division (IMA–ARD). The IMA–ARD is split-stationed between Arlington, VA and Atlanta, GA.

The ACSIM–ARD and IMA–ARD program, plan, and execute base operations support (e.g., environmental, maintenance and repair, and sustainment) and military construction functions on behalf of the Army Reserve and its more than 900 Army Reserve centers worldwide and two power projection platform installations (Fort Dix, NJ and Fort McCoy, WI).

• Army Reserve Chief Information Office (CIO) Merged with DA CIO/G–6

At a 25 June 2003 signing ceremony, the Department of the Army CIO/G–6, and I formalized a memorandum of agreement that integrates the Army Reserve, CIO into the Department of the Army CIO/G–6.

The Army Reserve counts communication and signal technology as one of its core capabilities—an enduring skill-rich capability across the spectrum of operations. With this integration, the Army Reserve demonstrates a commitment to both the transformation of the Army and to a common/single Army enterprise. With this integration, the Army Reserve Enterprise Integration Office will continue to be responsible for C4/IT planning, programming, budgeting, and execution support for all related Army Reserve appropriations. The Department of the Army CIO/G–6 will provide resource guidance and policy oversight, ensuring that Army Reserve C4/IT requirements are integrated and validated as part of broader Army requirements.

FEDS—HEAL Program Expanded and Improved

The Army Reserve Surgeon's office worked with the Veteran's Administration to expand and improve the Federal Strategic Health Alliance (FEDS–HEAL) program. This initiative includes the addition of consolidated medical and dental records review, centralized appointment scheduling, dental treatment, vision examinations and eyeglass and lens insert procurement, and support to soldier readiness processing activities.

The year began with a concerted effort to enhance soldier readiness in support of OIF. This resulted in 85,000 records being reviewed by the FEDS–HEAL Program Office, which subsequently initiated and completed 48,000 physical examinations, 31,000 dental examinations, 3,200 dental treatment services, 71,000 immunizations

(not including Anthrax), 22,500 Anthrax immunizations, and 1,000 vision examinations. The effort has been sustained via routine SRP support across the Nation. The effect has been to increase readiness and minimize processing time and the frequency of non-deployable soldiers being called to active duty.

In addition, the effectiveness of FEDS—HEAL was enhanced by the program's extension to the Army National Guard, Air Force Reserve, six Active component dental treatment facilities, and the occupational health programs of the Army National Guard and Reserve.

GROWING CONTRIBUTIONS

Prior to Operations Desert Shield and Desert Storm, Army Reserve soldiers provided minimal support to military missions. That all changed with the first Gulf War, when almost 95,000 Army Reserve members were called to active duty—and they not only responded but performed that duty well, contributing over 14 million duty days of support. Since that war, the Army Reserve provided between 1 million and 4 million duty days annually to total force missions until the terrorist attacks of September 11, 2001. Once again the Army Reserve has responded quickly and continuously with over 95,000 members serving on active duty and providing nearly 16 million duty days of support to the Active Forces in fiscal year 2003.

The increased personnel tempo became steady-state even before September 11 as our Reserve soldiers took their places among the rotational forces that are still keeping the peace in Eastern Europe. Our military police, medical, civil affairs, and public affairs solders continue to provide their skills and capabilities in Operations Joint Endeavor and Joint Guardian in Bosnia and Kosovo.

In the wake of the events of September 11, came the global war on terrorism, ONE in the United States, and the subsequent campaign, OEF in Afghanistan and Kuwait. Civil affairs units made up of Army Reserve soldiers who possess civilian-acquired and sustained skills in the fields of engineering, city planning, and education were deployed to the region to lead in reestablishing a free, functioning society. Numerous new schools were built and medical aid provided to the people of Afghanistan. These soldiers represent the goodwill and interests of the American people with every classroom they build and every skill they teach, every functioning social capability they help create, and every contact they make with the native population. Your Army Reserve soldiers are doing an incredible job.

In OIF our troops have liberated Iraq and brought down Saddam Hussein. Today they remain, boots on the ground, helping restore the fabric of Iraqi society and its infrastructure and return self-determination to the people of Iraq who are free for the first time in more than 30 years.

No one expects this mission to be completed soon or the war on terrorism to be won quickly. Both will try our patience and test our resolve as a Nation and as an Army. Both will require new organizational and institutional paradigms and expectations if we are to prevail in our present endeavors and prosper in future ones. The world will remain a dangerous and unstable place for the foreseeable future. We must so organize ourselves and our efforts that we have the institutional endurance and moral stamina robustness to accomplish our missions effectively, efficiently, and definitively.

THE IMPERATIVE FOR CHANGE

Despite the clear relevance and strength demonstrated by these examples, we, the Army as an institution, are not without our challenges. First and foremost, we, the Army Reserve, must evolve as an institution to accommodate the changes in our environment. The division-oriented, set-piece battles of the past, now share the stage with conflicts in which smaller interchangeable units will be combined in formations tailored to meet specific threats and situations and to offer the combatant commander the capabilities he needs to contain and defeat the enemy, and prevail upon the shifting, asymmetrical battlefields of the 21st century.

ARMY RESERVE RESPONSE

The Army Reserve is moving to meet that challenge, preparing changes to training, readiness and policies, practices, and procedures. We are restructuring how we train and prepare the force by establishing a Trainee, Transient, Holdee, and Student Account, much like the active Army, to manage our force more effectively. We are preparing plans to support the continuum of service concept recently proposed by the OSD, which would allow ease of movement between Army components as dictated not only by the needs of the Army, but also by what is best for the soldier developmentally and educationally. We are excited by the potential of such transition proposals.

Federal Reserve Restructuring Initiative (FRRI)

Our initiatives concerning the management of individuals and units in the Army Reserve are the catalyst of the evolving Army Reserve—The Federal Reserve Restructuring Initiative. Six imperatives are necessary in order for the Army Reserve to change to a 21st century force. These imperatives are: re-engineer the call to active duty process; transform Army Reserve command and control; ensure ready units; implement human resources life cycle management; build a rotational base in our force; and re-engineer individual soldier capabilities.

Calls to Active Duty Reform

Changing our industrial-age, Cold-War era call-to-active-duty and mobilization process remains a critical component to realizing the capabilities and potential of our highly skilled, loyal and sacrificing soldiers. The Nation's existing process is designed to support a traditional, linear, gradual build-up of large numbers of forces and equipment and expansion of the industrial base over time. It follows a construct of war plans for various threat-based scenarios. It was designed for a world that no longer exists. Today, multiple, operational requirements, unclear, uncertain, and dynamic alliances, and the need for agile, swift, and decisive combat power, forward presence in more responsive ways, and smaller-scale contingency operations, demand a fundamentally different approach to the design, use, and rotation of the Army Reserve Forces. Rather than a "force in Reserve," the Army Reserve has become and serves more as a complementary force of discrete specialized, skill-rich capabilities and a building block for teams and integrated units of capabilities, all essential to generating and sustaining forces. The process of accessing and employing these forces must be overhauled completely to become more efficient, flexible, and responsive to the Nation's needs, yet sensitive to, and supportive of the soldier, the family, and the civilian employer. To do this we require a more decentralized, agile, and responsive process that accommodates the mission requirement while simultaneously providing greater predictability for soldier, family, and employer.

Changing the way we employ soldiers starts with changing the way we prepare for calls to active duty. The current process is to alert a unit for calls to active duty, conduct administrative readiness preparations at home station, and then send the unit to the mobilization station for further administrative and logistical preparedness processing and to train for deployment. This alert-train-deploy process, while successful in Operations Desert Shield/Desert Storm, today inhibits responsiveness. By changing to a train-mob-deploy model, and dealing with administrative and logistical requirements prior to calls to active duty, we will reduce the time needed to bring units to a campaign quality level needed for operations. This will require us to resource more training events at home station through the use of devices, simulators, and simulations. As you would expect, this shift in paradigms will increase pre-call-to-active-duty operational tempo (OPTEMPO) beyond the current statutory level and will require greater effort and resources to achieve. We are confident that the increased costs will pay significant dividends in terms of readiness and deployability.

Realigning Force Command and Control

Our evolutionary force structure journey actually began 10 years ago and is accelerating rapidly today. In 1993 we reorganized to produce a smaller, more efficient, and more effective structure. Our overall strength was reduced by 114,000 soldiers, or 36 percent, leaving us with a 205,000-soldier statutory end strength today. We continue our journey from a Cold-War Army Reserve Force to our current, fully engaged Army Reserve Force, to a changed, even more responsive and capable future Army Reserve Force that will include a rotational capability. In the 1990s, we cut the number of our Army Reserve commands by more than half and re-invested those resources into capabilities such as medical and garrison support units as well as Joint Reserve units. We reduced the number of our training formations by 41 percent and streamlined our training divisions to better meet the needs of the Army and its soldiers. Our journey continues today as we mature plans for further realignments and force structure initiatives. Between fiscal years 2005 and 2008, we will reduce our force structure by 35,000 spaces, reinvesting those into remaining units in order to man them at 100 percent. Simultaneously, we will redesign the remaining force into more capable modular organizations and reduce the number of general officer functional commands and the number of general officer command and control headquarters subordinate to the Army Reserve Command.

The Army Reserve is the Nation's repository of experience, expertise, and vision regarding soldier and unit calls to active duty. We do have forces capable of mobilizing in 24 hours and moving to their active duty stations within 48 hours, as we demonstrated in response to September 11. This norm of quick and precise calls to

active duty ability will become institutionalized in the processes and systems of the future and give our forces the ability to marshal Army Reserve soldiers rapidly and smoothly.

Trainees, Transients, Holdees, and Students (TTHS) Account

The most immediately effective methods for improving Army Reserve unit readiness is to harvest the personnel authorizations (spaces) associated with those units whose historical missions have been largely overtaken by events and whose consequent relevance to war plans and missions has been significantly reduced or eliminated all together. These spaces can then be used as a holding account that increases unit readiness by removing unready soldiers from troop program unit spaces. Currently, unready soldiers are carried on the rolls for a variety of reasons and reported as unavailable to fill force authorized positions. With the creation of the TTHS account, these unready soldiers will be assigned to the TTHS account where they will be trained and managed until they can be assigned to a unit in a duty-qualified status.

This procedure can be accomplished within existing manpower and funding levels. This initiative will improve the quality of service for individual soldiers and relieve unit commanders of a major administrative challenge thus enabling them to better focus on calls to active duty and readiness activities.

The TTHS account will be used to manage vacancies and the assignment of qualified soldiers to authorized positions, thus increasing retention with a positive soldier-oriented life-cycle management program.

Individual Augmentee Program and Continuum of Service

In today's operational milieu, there is a growing need to establish a capability-based pool of individual soldiers with a range of specialties who are readily available, organized, and trained for calls to active duty and deployment as individual augmentees. In spite of numerous force structure initiatives designed to man early deploying active Army and Reserve component units at the highest possible levels, a requirement remains for individual specialists for unforeseen, unplanned-for-contingencies, operations, and exercises. Therefore, I have directed the establishment of an Individual Augmentee Program within the Selected Reserve to meet these needs.

The Individual Augmentee Program is intended to meet real-world combatant commander requirements as validated in the Worldwide Individual Augmentation System (WIAS). Additionally, this program will preclude the deployment of individual capabilities from active or Reserve component units, adversely affecting their readiness, cohesion, and future employment effectiveness. This program will allow soldiers to participate at several levels of commitment, and supports the OSD proposal for a continuum of service that enables service members to move more easily between their services' components during their careers.

Rotating the Force

While changing industrial-age mobilization, personnel, training, and development policies is necessary, restructuring our force so that we can implement predictable and sustainable rotations based upon depth in capability is also necessary. We are committed to achieving a capability ratio that will manage Army Reserve deployments to once every 4 or 5 or 6 years. Predictable and sustainable utilization is a key factor in maintaining soldier, family, and civilian employer support. One of the goals of transforming our force is to change policies that are harmful to soldiers and families. Predictable rotation schedules will allow the Army Reserve to continue to be a long term source of skill-rich capabilities for small scale contingency conflicts and follow-on operations. Properly executed, predictable rotations will provide our units with operational experience; provide a sense of fulfillment for our soldiers; impart a sense of order for our soldiers, and even out the work load across the force. The recent changes to the Operation Enduring Freedom and Operation Iraqi Freedom rotational schedules are an important step in establishing those rotational capabilities.

Rebalancing the Force

There has been considerable concern raised about what is viewed as excessive reliance on the Nation's Reserve components both for small-scale operations such as the Balkans rotations and for long-term contingency operations such as OEF and OIF. While only 33 percent of Army Reserve troop strength is currently called to active duty, and while that level of usage does not seem extreme, raw numbers alone do not tell the whole story. Some units, notably, military police and truck transportation units are in fact over-extended, and it is true that some types of units have been used more in the war on terrorism than others. Military police

(MPs), civil affairs, military intelligence, transportation and biological detection and surveillance capabilities are the highest in utilization. We are committed to eliminating these pockets of specialty over-stress by increasing the number of some units in both the active component and the Army Reserve and Army National Guard.

The DOD is currently deeply involved in determining how to rebalance the active-Reserve component force mix to mitigate the effects of over-use of particular specialties. Currently, 313 Standard Requirement Codes (types of units) are found exclusively in the Army Reserve. The Army Reserve has been able to meet the challenges with this structure thus far, but clearly the structure requires change and perhaps augmentation to meet the continuing demand for these skill-rich capabilities that are more practically sustained in a Reserve component force.

Recruiting and Retention

Recruiting and retention is an area of the highest importance to the Army Reserve and a volunteer force. Our responsibilities require the best soldiers America can provide. In this regard, we are most appreciative of the help your subcommittee has provided us. We would be remiss if we did not thank you for the attention you have paid to our recruiting needs in recent legislation. With your help we have met our recruiting mission for 4 straight years from 2000 to 2003. In fiscal year 2004, however, we are 182 accessions short of expected year-to-date mission out of a projected 10,156 accessions. While this is cause for some concern, I am not alarmed over this because we are currently at 103 percent strength.

Although generally successful in overall mission numbers, we continue to experience difficulty in attracting and retaining qualified individuals in certain critical wartime specialties. Your continued support on behalf of recruiting and retention incentives, allowing for innovative readiness training and the funding of continuing health and educational opportunities will help us with this difficult task.

The Army Reserve, in partnership with the United States Army Accessions Command, has conducted a thorough review of Army Reserve recruiting. This review has helped us forge a stronger relationship with the Accessions Command and has streamlined our processes to support the symbiotic relationship between recruiting and retention. To that end, we will seek to ensure that all Army Reserve soldiers are involved in recruiting and retention activities—we all are a part of the Army's accessions efforts. We are removing mission distracters allowing the Accessions Command to focus on their core competency of recruiting non-prior service applicants; we are focusing on life cycle personnel management for all categories of Army Reserve soldiers and our retention program seeks to reduce attrition, thereby improving readiness and reducing recruiting missions.

During 2003, the responsibility for the entire prior service mission transferred from the Accessions Command to the Army Reserve. Tenets of this transfer included: establishment of career crosswalk opportunities between recruiters and retention transition non-commissioned officers (NCOs); localized recruiting, retention, and transition support at Army Reserve units; and increased commander awareness and involvement in recruiting and retention efforts.

To support recruiting and retention, the Army Reserve relies on non-prior service and prior service enlistment bonuses, the Montgomery GI Bill (MGIB) Kicker, and the Student Loan Repayment Program in combinations that attract soldiers to fill critical Military Operational Specialty (MOS) and priority unit shortages. The Army Reserve must be able to provide a variety of enlistment and retention incentives, for both officer and enlisted personnel, in order to attract and retain quality soldiers. Fully funded incentive programs must be available to ensure success in attaining recruiting goals and maintaining critical shortages and skills.

As for the retention of this all-volunteer force, during the mid-1980s, at the height of the Cold War, the Army Reserve averaged a 36–38 percent officer and enlisted attrition at a time when we were never used. Today, after 8 continuous years of calls to active duty and use, since 1997, we are averaging 24–26 percent attrition. Interestingly, the retention rates appear to be higher in those units that get called to active duty than in those that are not called. Our soldiers feel the pressure, they understand the sacrifice, and they recognize their contributions to the common good and their fellow citizens. They are proud and they are determined. I am profoundly impressed by their performance, their commitment, and their dedication every day.

Historically, our retention program has been a success. Faced with an enlisted attrition rate of 37.5 percent at the end of fiscal year 1997, we adopted a corporate approach to retaining quality. Retention management was an internal staff responsibility before fiscal year 1998. In a mostly mechanical approach to personnel management, strength managers simply calculated gains and losses and maintained volumes of statistical data. Unfortunately, this approach did nothing to focus com-

manders on their responsibility of retaining their most precious resource—our soldiers.

In response, the Army Reserve developed the Commanders Retention Program to correct this shortcoming. A crucial tenet of this program places responsibility and accountability for retention with commanders at every level of the organization. Commanders now have a direct mission to retain their soldiers and must develop annual retention plans. Additionally, first line leaders must ensure all soldiers are sponsored, receive delivery on promises made to them, and are provided quality training. In this way, the Commanders Retention Program ensures accountability because it establishes methods and standards and provides a means to measure and evaluate every commander's performance.

Since the introduction of the Commanders Retention Program, the Army Reserve has reduced enlisted troop program unit attrition by nearly 12 percentage points. The enlisted attrition rate in fiscal year 2003 was 25.5 percent.

The attrition rate for fiscal year 2004 is projected to increase to 30.4 percent, due to an increase in the Expiration of Term of Service (ETS) population, expected retirements as well as recalls to active duty. The exact impact of demobilization of troops rotating out of theater having served in OIF1 and OEF3 remains to be seen. The next several months will tell the tale as stop-loss provisions are lifted 90 days after our troops are released from active duty.

Overall, the Army Reserve successfully accomplished its fiscal year 2003 recruiting mission while achieving the Department of the Army and DOD quality marks. Beginning fiscal year 2004, the Army Reserve transitioned the U.S. Army Recruiting Command (USAREC) from a contract recruiting mission to a ship mission as well as began a 3-year phased implementation of the Delayed Entry Program (DEP) similar to the active Army. To support these efforts the Army Reserve recruiting mission will increase over the next 3 years and will stabilize by fiscal year 2007. The purpose of these two initiatives is to better utilize our training seat resources and to reduce overall unit attrition. The accomplishment of the recruiting mission will demand a large investment in time on the part of our commanders, our retention NCOs, and our recruiters as they are personally involved in attracting the young people in their communities to their units.

However, the same environmental pressures that make non-prior service recruiting and retention difficult also affect prior service accessions. With the defense drawdown we have seen a corresponding decrease in the available prior service market in the IRR. This affects Army training costs, due to the increased reliance on the non-prior service market, and an overall loss of knowledge and experience when soldiers are not transitioned to the Army Reserve. Consequently, the Army Reserve's future ability to recruit and retain quality soldiers will continue to be critically dependent on maintaining competitive compensation and benefits.

The Army Reserve is currently experiencing a shortfall of 4,200 company grade officers. Retention goals focus commanders and first line leaders on junior officers. The establishment of a sound leader development program is a cornerstone of Army Reserve transformation. Providing young leaders the opportunity for school training and practiced leadership will retain these officers. A transformed assignment policy will enhance promotion and leader development. Increased Army Reserve involvement in transitioning officers from active duty directly into Army Reserve units will keep young officers interested in continuing their Army career. Allowing managed flexibility during their transition to civilian life will be a win for the Army and the officer.

Special attention needs to be placed on the recruiting budget, for advertising, to meet our requirements in the next several years. Young people of today need to be made aware of the unique opportunities available in the different military components. The best way to get this message out is to advertise through the mass media. Funding our critical advertising needs is imperative if we are to be honestly expected to meet our recruiting goals. Your continued support of our efforts to recruit and retain quality soldiers is essential if we are to be successful.

FAMILY PROGRAMS

A functional family readiness program is important in peace and critical in war. Family programs provide invaluable family assistance during peacetime and calls to active duty, to include training for family program directors and volunteers in support of family readiness activities. These volunteers and contract employees provide information referral and outreach to family members and deployed soldiers. Within this system are 25 contractors serving in family program director positions whose duties include aiding in promoting families' awareness of benefits and entitlements, orienting family members to Army Reserve systems, programs, and way of life.

In preparation for calls to active duty deployment, these volunteers and staff provide an extensive briefing for both families as well as soldiers. These family services include briefings by members of the Chaplains Corps who explain what happens to spouses or families upon separation. We also provide briefings when the service member returns and coach the family members to expect changes upon the soldier's return to home.

The average Army Reserve soldier is older and more likely to be married than the average active component soldier. While all families face hardships when their soldier is called to the colors, Army Reserve families have additional challenges as they generally do not live near an installation that can provide services. While historically we have relied extensively on volunteers, experience has shown we must increase the amount of full time staff available for families. We will soon have 25 additional family readiness group assistants positioned in locations where they can assist geographically isolated families of mobilized soldiers. We also have begun the process of accreditation to ensure the program delivers a consistent level of service to families. We continue to work on obtaining more resources for the program.

During Operations Desert Shield/Desert Storm, Army Reserve family readiness programs were sparse. Today, these programs are extensive, and they are providing a support network for our families. We have been able to meet the needs of our deployed Army Reserve soldiers, and will continue to do so. We are anticipating challenges in the future.

INFORMATION TECHNOLOGY

Network Service/Data Center

The Army Reserve is redesigning its information technology infrastructure to support the global war on terrorism and greatly increase the survivability of our information technology infrastructure in the event of a cyber or physical attack. This redesigned infrastructure will establish a network service/data center that supports the continental United States. With this redesign, the Army Reserve would have the technological capability to sustain existing Army systems or field new Army systems to meet readiness requirements. The redesign will also enhance the timely dissemination of information supporting command and control of areas of mobilization, training, and overall data exchange.

Force Protection

The Force Protection Program within the Army Reserve is designed to provide security and preparedness to meet the full spectrum of threats facing Army Reserve facilities and stand-alone facilities worldwide. The program is an integrated set of five security activities: physical security, antiterrorism, law enforcement, information operations, and installation preparedness.

The timely and accurate flow of threat information is the foundation of the overall Force Protection Program within the Army Reserve. Vulnerability and risk assessments coupled with current threat information provides a solid crisis management planning platform for the Army Reserve stand alone facilities and installations.

The Army Reserve Force Protection Program enables commanders to prioritize facilities and focus resources using a proven decisionmaking methodology. The Army Reserve Force Protection Program is being used to dramatically repair and upgrade facilities, train leaders and integrate security programs to ensure fully capable units are available to support combatant commanders in the global war on terrorism.

Installation preparedness concentrates on detailed planning, integrated training and for the coordinated response of first responders such as fire, police, and emergency services to incidents involving weapons of mass destruction or industrial accidents and disasters on or near Army Reserve facilities and installations.

The Army Reserve is challenged with its existing military and civilian manpower structure. To sustain the current Force Protection Program and meet the demands of emerging requirements, we must expand contract requirements for physical security, antiterrorism vulnerability and risk assessments, force program leader training and exercise planning for the entire Army Reserve.

Currently, the Army Reserve meets installation access control requirements, but sustainment of access control combined with the additional stand alone facility level security requirements associated with the global war on terrorism has become a challenge.

Funding to support these critical security programs will allow the Army Reserve to continue to repair facilities, train leaders, and integrate security programs to ensure fully capable units are available to support combatant commanders in the global war on terrorism.

Equipment Procurement and Modernization

Increasing demands placed on the Army Reserve highlight the importance of equipment that is mission-essential. In addition, the increased use of Reserve Forces in operational missions and the global war on terrorism has highlighted the importance of having compatible and modern equipment. In order for our soldiers to be able to seamlessly integrate on the battlefield, our equipment must be operationally and technically compatible. Without complete interoperability, the ability of the Army Reserve to accomplish its combat support and combat service support missions would be diminished. The need to quickly and efficiently deploy Army Reserve units invalidates the old Cold War planning that Army Reserve units will have sufficient mobilization time to replace non-interoperable equipment or fill shortfalls deliberately accepted as "necessary risk." Retaining older, less effective equipment or filling the Army Reserve's authorized levels of equipment only partially, leads to delays as a limited pool of Army Reserve equipment is transferred between deploying, redeploying, and non-deploying units and Army Reserve soldiers are trained or retrained to operate more modern equipment, they did not have access to during drills and annual training. The National Guard and Reserve Equipment Appropriation (NGREA) has been a significant and essential tool to improve the Army Reserve through force modernization.

Meeting these challenges requires not only that the Army Reserve be issued modern, interoperable equipment, but that the resources to maintain the readiness of this equipment also be provided. Sufficient funding needs to be provided to allow the Army Reserve to reach higher standards of readiness than currently maintained as an element of risk accepted by the Army under constrained budgets. Until the Army Reserve can be fully equipped with modern items, sustaining the combat and deployment readiness of the equipment currently on hand is essential. This requires full funding of operations and maintenance requirements and continuing support of the Army's depot maintenance program, which is vital to maintaining the readiness of Army Reserve equipment, while extending service life, reducing life cycle costs, and improving safety for Army Reserve soldiers.

Combat support and combat service support transformation is a vital link to the Army Transformation Plan. The Army Reserve is the main provider of this capability for the Army and the Army must continue to modernize the Reserve components along a timeline that ensures the Reserve components remain interoperable and compatible with the active component. The Army Reserve is continuing to support the Army's transformation through the assignment of equipment from Army Reserve units to Army prepositioned stocks (APS) and stay-behind equipment (SBE) in Iraq and Afghanistan.

Equipment modernization of the Army Reserve is indispensable in meeting the goals of the Army's Transformation Campaign Plan. Full integration into the Army's modernization plan to implement force interoperability enables our units to deliver required combat service and combat service support ensuring our Army's operational success.

Facility Revitalization

The Army Reserve installation community proudly sustains 2 of the Army's major installations and 12 regional support commands. These regional commands function as "virtual installations" with facilities in 1,160 communities across all 50 States, United States territories, and in Europe.

Our primary facilities, Army Reserve centers, are prominent symbols of The Army on Main Street America. They often create the very first impressions of the entire Army and present a permanent billboard for all Americans to see. Unfortunately, most Army Reserve facilities consist of 1950s era structures that remain virtually the same as when they were constructed. They are sorely in need of modernization or, as in most cases, replacement.

Army Reserve soldiers train in widely dispersed training centers and support facilities worldwide, whose 40 million square feet of space equates to more square footage than Forts Hood, Sill, and Belvoir combined. Our facilities experience the same type of challenges active Army posts do. The impacts of poor facility conditions are even more acute for our soldiers. Overcrowded, inadequate, and poorly maintained facilities seriously degrade our ability to train and sustain units as well as sapping soldier morale and esprit de corps.

SUMMARY

In today's national security environment, the Army Reserve has many challenges—we accept these without hesitation. These challenges find expression in our reliance on Reserve component forces in contingency operations. Historically our Na-

tion has placed great reliance on the Reserve components of soldiers, marines, sailors, and airmen to expand the Armed Forces for operations during time of war. The nature of warfare has changed drastically and we must also change. As BG David Fastabend notes in his unpublished white paper, Serving a Nation at War; a Campaign-Quality Army with a Joint and Expeditionary Mindset, "Although the fundamental nature of war is constant, its methods and techniques change chameleon-like to match the strategic context and capabilities at hand." We must also change to accommodate the 21st century strategic context and operational reality. This global war on terrorism, as our President has described, is a long-term campaign of inestimable duration, fought in many different places around the world. The issues we have brought to you today—changing how we man, train, prepare, maintain, and resource our force recognizes the commander in chief's intent to prepare for future wars of unknown duration in places we have yet to fight and against enemies who threaten our freedoms and security.

We are grateful to Congress and the Nation for supporting the Army Reserve and our most precious resource, our soldiers—the sons and daughters of America.

Thank you.

Senator CHAMBLISS. Thank you.

Admiral Cotton.

STATEMENT OF VADM JOHN G. COTTON, USNR, CHIEF, U.S. NAVAL RESERVE

Admiral COTTON. Good morning, Mr. Chairman. Thanks for this opportunity.

I have to be quite honest, in the last 5½ months that I've been Chief of the Naval Reserve, just like the recruiting poster, my life has been accelerated, and it seems to be picking up speed each day.

I didn't bring any sailors with me today to talk about their accomplishments at the front. Rather, I would like to bring to everyone's attention and remember something that happened just a few weeks here ago in Baltimore. On a stormy Saturday afternoon, the brave men and women of Naval Reserve Center Baltimore responded within minutes and were on the scene to rescue people off a capsized water taxi. A youngster, who wasn't trained to do this, used the front of the boat, the ramp that lowered to pick up the edge of the pontoon, to rescue others that were trapped underneath. I'm also proud to say that in 2 weeks we'll be at Baltimore to present the brave people that jumped into the frigid waters medals for their heroism. We have heroes overseas, and we have heroes right here at home with us.

That demonstrates, I think, what the generals ahead of me have talked about, and that's the dual mission of our Reserve and our Guard, that not only overseas does us proud, but here stands ready for homeland security.

The Navy and the Naval Reserve have been concentrating in the last year on one Navy. We recruit together, we train together, we deploy together, and all our policies are exactly the same.

There are four quick points I'd like to make. This is our strategic plan for this next year.

First, we're aligning. We don't need to have separate staffs or separate headquarters. We work together. In New Orleans and here in Washington, DC, we have embedded with the Navy. We're one alignment and one staff. We do that with recruiting; we do it with our training; and we do it with our admirals, as well.

We're synchronizing the force. In the past, we've had seven separate readiness commands around the country, along with ten regional Navy commands. We are now aligning those headquarters,

and, in the future, will align the functionalities of those regions to better respond not only to homeland security requirements, but also a mobilization of our proud sailors to go forward.

We are also assessing the force at Fleet Forces Command. Under Admiral Fallon, who now speaks for all fleets around the globe, his team is looking at the requirements for the future Navy, not the Cold War construct. As a result, every billet and every unit in the Naval Reserve is being assessed for its value, for its risk mitigation, and for its capabilities as we measure it against Seapower 21. I'm proud to say that the Naval Reserve is matched up very well against Seapower 21's 61 capabilities—in fact, we have 59 of them—as well as civilian-unique capabilities, over 800 of them, that are oftentimes used in times of crisis.

Lastly, we'll take the results of this, and you'll see, in the first preview of the Program Objective Memoranda (POM) 2006 budget, a synchronized, assessed, Navy and Naval Reserve that will be programmed together to better project warfighting wholeness as a unified Navy.

I look forward to your questions, gentlemen.

[The prepared statement of Admiral Cotton follows:]

PREPARED STATEMENT BY VADM JOHN G. COTTON, USNR

I. OPENING

Mr. Chairman and members of this subcommittee, thank you for the opportunity to speak with you today about some of the important changes that are happening in the Navy and its Reserve, and to give you a report on our accomplishments and current state of readiness.

As we look back, we see clearly that the tragic attack on our country on September 11, 2001, and the operations that followed, prompted significant changes for the Armed Forces, including the Guard and Reserve. Members of the National Guard and the Reserve have been called upon more in this global war on terrorism than at any other time since World War II. The Chief of Naval Operations (CNO) has said, "Change to make us better is completely necessary to make our Navy even better and to build the 21st century Navy, and the Reserve is a key part of our growth and our future."

We are meeting the CNO's challenge head on, changing our culture and the shape of the force, moving away from an obsolete Cold War construct to one that provides tailorable, flexible capability in support of 21st century warfighting. Active-Reserve Integration is about more than gaining business efficiencies . . . it is about capitalizing on the skills, dedication and patriotism of the citizen-sailors that make up our force. The Navy's Reserve will be structured, equipped and trained to complement the capabilities inherent in SeaPower 21, and will leverage technology to take advantage of skills and abilities carried by our sailors on the coasts and in the heartland of America.

Integration is a journey, and we are sharing this voyage with our active component shipmates. The CNO and senior fleet leadership have taken ownership of their Reserve, from recruiting and training, to equipment and readiness. The fleet is identifying the capabilities it will require the Navy's Reserve to provide, an input that the active and Reserve components together will use to design and shape the force. This new sense of ownership will build closer day-to-day operational relationships and allow for the seamless connection of total force capabilities in the right place, and at the right time.

To enable recapitalization of the Navy, CNO has directed that efficiencies be realized in all areas of operations, and in both active and Reserve components. The Navy is fully integrating its Reserve into the new Fleet Response Plan (FRP) through both unit level and individual augmentation during day-to-day operational support, while maintaining the ability to mobilize reservists and equipment to support expanded surge operations around the globe. The fundamental construct of FRP is a surge-ready fleet, able to sail to any troubled spot in the world, swiftly defeat the enemy, and then reconstitute in minimum time. Therefore, the Navy and its Reserve will continually be in a surge status requiring minimum time to reset. Experi-

enced and trained Reserve personnel are ideally suited for this surge capability. The basic 24 drill days per year and 14 days of annual training are provided at 20 percent of the cost of full time personnel, and they leverage prior Navy investment in training and maintain a continuum of service. Most reservists have both fleet experience and critical civilian skills to contribute to this concept of efficient utilization, and will fit perfectly into the unique surge mission requirements of the Navy's Reserve as envisioned in SeaPower 21.

The Navy's Reserve has always been and will continue to be an important element of the Navy's Total Force. In the CNO's own words, ". . . with the Navy's Reserve playing such a vital role in our day-to-day operations, it is imperative that we continue to properly assess and fund Reserve personnel and readiness requirements now and in the future." The Navy's Reserve contributes daily to support fleet operations and provides critical surge and sustainment capabilities to meet real world contingencies. However, to remain relevant, reservists must be even more accessible, flexible, and adaptable to better support fleet operations both at home and abroad. Every structural change being considered for the future is intended to ensure that the Navy's Reserve remains an important element of the Navy team. Providing a more tightly integrated force creates the opportunity for reservists to train, deploy, and operate alongside their active counterparts using current doctrine, concepts, and tactics, as well as the most modern equipment in the Navy's inventory.

The Navy is evolving, and its Reserve is in step with the changes. For instance, Navy is aligning missions by capabilities and has created Fleet Forces Command to meld the fleets into a single, integrated force. The first change we made to support this alignment was to assign both the Commander, Naval Reserve Force (CNRF) in Washington, DC, and Commander, Naval Reserve Forces Command (CNRFC) in New Orleans, LA, "additional duty" to Commander, Fleet Forces Command (CFFC) in Norfolk, VA. For the first time ever, one fleet commander acting for all other Navy commanders, is conducting a Zero Based Review (ZBR), where every Reserve unit and billet is being reviewed for capability relevance and alignment with fleet requirements, and then forwarded to CNO for inclusion in future budget deliberations and requests. The Navy's Reserve will continue to provide mission capable units and individuals to the Navy-Marine Corps team throughout the full range of operations, from peace to war, and will do so in a much more efficient and integrated manner. The Navy has taken charge of its Reserve Force to further enable it to provide predictable and effective support to the fleet, ready and fully integrated, in the most efficient manner possible.

II. NAVY RESERVE PRIORITIES FOR 2004

The Reserve's priorities have been aligned with those established by CNO for the entire Navy.

Priority #1: Manpower

Manpower is, and will remain, the Navy's number one priority. The Navy competes for the best people, and we are engaged on two fronts: recruiting the right people and improving retention. The focus is on capabilities and our recruiting objectives will be driven by fleet requirements. We need to attract and retain smart and savvy sailors to employ the advanced technologies that we will rely on in the network centric future.

Navy leadership understands the consequences of sustained and repeated recalls on our Reserve personnel, their families, and employers. Our judicious use of individual and unit mobilizations has demonstrated the Navy's efficient, tailored and volunteer-based method of mobilization. Retention remains at an all-time high and post-mobilization surveys of recalled personnel indicate strong job satisfaction. Our proud, patriotic citizen-sailors have, and will continue, to answer the call in defense of freedom and liberty. CFFC's integration initiative will build on this success by increasing mission relevance, and ensuring that every reservist is delivering the capability and expertise required by the fleet and the Joint Force Commander.

We are pleased to report that recruiting remained strong in 2003. Last year we achieved 106 percent of our enlisted recruiting goal. Largely due to record high retention rates in the active duty Navy, 40 percent of these enlisted accessions were Non-Prior Service (NPS) personnel. While very qualified, many with advanced degrees, these NPS personnel require additional training before being assigned mobilizations billets. Officer recruiting, also challenged by high retention in active duty warfare designated communities, finished at 91 percent of the fiscal year goal. Our recruiters met goal last year for both officer and enlisted full-time support personnel. The Navy's Reserve had an attrition rate of 17.8 percent in fiscal year 2003, and ended the year manned at 100.2 percent of authorized end strength. Although we are pleased with our results in these important manpower categories for last

year, fiscal year 2004 brings similar challenges. We believe we can meet our recruiting goals in part because Reserve recruiting became one of the first commands to fully align with their active duty counterpart. Commander, Naval Reserve Recruiting Command (CNRRC) in New Orleans, LA, became Commander, Naval Reserve Recruiting Region (CNRRR) and is now aligned with the Navy Recruiting Command (CNRC), in Millington, TN. We are very optimistic that prototype recruiting stations combining both active duty and full-time Reserve recruiters opening this year will result in improved recruiting efficiencies. Furthermore, active duty commands are being directed to increase their efforts to keep trained and talented personnel leaving the Active Force on the Navy team by recruiting them directly into the Navy's Reserve. Keeping Navy veterans serving, especially those with critical skills and qualifications, is very important and has the support of the entire chain of command, both active and Reserve.

Navy Reserve end strength requested in the fiscal year 2005 President's budget is 83,400, a decrease of 2,500 from fiscal year 2004. This decrease is due primarily to the rebalancing of Naval Coastal Warfare units into the active component, the decommissioning of a fleet hospital, and medical program billet reductions due to force restructuring. We expect that the requested end strength in this budget is sufficient for the Navy's Reserve to meet fleet requirements. However, ongoing initiatives and total force capability analysis may result in modifications to this target in the future.

Priority #2: Current Readiness

During Operation Iraqi Freedom (OIF), the Navy had 8 carrier strike groups, 6 expeditionary strike groups, and nearly 100,000 sailors and marines deployed around the world in support of the global war on terrorism. The near term goal for the Navy's Reserve is to provide a force shaped by fleet requirements and driven by SeaPower 21. To achieve this goal, we will continue to align with the Navy, measure risk, present options and rapidly move ahead with assignment of units and personnel to match requirements with capabilities. These assessments will be driven by the question: What resources can we apply that will enhance effectiveness and efficiency, and will contribute to warfighting wholeness? If the analysis indicates that the number of reservists should be adjusted to meet current requirements and future capabilities, we will make that happen. If that means that some equipment must be retired or realigned to support the Active Force, then we will ensure that the Navy's Reserve is integrated with the fleet and trains on and operates the Navy's newest, most capable platforms and systems.

Following the attack on U.S.S. *Cole,* the Navy recognized the immediate need for increased force protection and added 6,619 new active component and 1,379 Reserve component antiterrorism and force protection billets. Current readiness was also enhanced in the fiscal year 2004 budget with funding to operate an additional frigate (FFG) in the Navy's Reserve Force, execute flying hours at 100 percent of requirement, and support ship maintenance to meet CNO's goal. Aviation depot maintenance funding was increased to ensure that 100 percent of CNO engine and airframe maintenance goals are achieved. In fiscal year 2004, base support funding has been consolidated Navy-wide under Commander, Naval Installations to eliminate redundancies, generate economies of scale, and provide enhanced readiness support to shore activities, both active and Reserve. It is expected that further efficiencies will be realized by combining base support for active and Reserve personnel where overlaps and excess capabilities exist.

The very much appreciated National Guard and Reserve equipment appropriation for fiscal year 2004 provided readiness support modifications, upgrades, and procurement of items for expeditionary warfare units, trainers and simulators to improve the availability of readiness training, as well to acquire eight Swiss F–5 aircraft to replace aging Reserve adversary training assets. The appropriation also included funds to complete the last two upgrades to Reserve F/A–18As to "A-Plus," providing precision strike capability and placing them on par with fleet F/A–18Cs. Funds were first applied to improve current readiness and then to enhance future readiness, and were coordinated with Navy warfare and resource sponsors.

Priority #3: Future Readiness

Improved accessibility and integration are the cornerstones of the Navy Reserve's contribution to future readiness. For example, full integration will ensure that Navy reservists in aviation Fleet Response Units (FRU) will be able to quickly activate and support global operations under the CNO's Fleet Response Plan (FRP). Our vision is a Reserve Force that is better prepared and more capable for both unit and individual mobilization requirements. Co-locating our Reserve personnel and hardware with their supported fleet units streamlines the activation process enabling in-

dividuals to train alongside, and be more familiar, with the units they will augment. Co-location enables FRU aircrews to train and operate state-of-the-art equipment, as well as leverage Active Force tactics and doctrine. Reserve experience and availability can also be used to provide onsite fleet support. Concurrently, retaining and strengthening the Squadron Augment Unit (SAU) concept continues the vital contribution that our experienced Reserve instructor and maintenance cadre provides to the Fleet Replacement Squadrons (FRS). As an aside, every pilot flying combat missions in Operation Enduring Freedom (OEF) and OIF was trained by dedicated and professional Navy Reserve aviators providing airwing adversary, fleet exercise and training command support.

Under the guidance of Commander, Fleet Forces Command, the Navy has begun an initiative that will lead to a more integrated total force in which Navy Reserve capabilities are tied directly to active units in support of SeaPower 21 mission capabilities. The active component is currently engaged to clearly articulate requirements for the Navy's Reserve. CFFC's Reserve integration cell will recommend the future Reserve Force structure necessary to meet these fleet capability requirements. Coordination has already begun with a complete zero-based review of Navy Reserve capabilities. Active duty commands have been tasked to identify their Reserve support requirements and to describe potential new capabilities they need from their reservists to more readily meet their mission requirements.

To fully realize SeaPower 21, the Navy and its Reserve will align, organize, integrate, and transform around the four warfighting pillars of Sea Strike, Sea Shield, Sea Base, and FORCEnet. SeaPower 21 embodies a number of maritime capabilities that are in the domain of expertise the Navy brings to the Joint Force. To provide sufficient operational range and depth to many of these capabilities, and to efficiently and effectively meet its requirements as part of the Joint Force, Navy must leverage its investment in the extraordinary capabilities, critical skills, innovative nature, and entrepreneurial spirit of its Reserve personnel.

We support the Secretary of Defense's goal of rebalancing the active-Reserve component force mix to eliminate the need for involuntary mobilization, especially during the first 15 days of an operation. Our fiscal year 2005 budget submission reflects the additional active-Reserve rebalancing changes needed for the Navy to meet this goal.

At present, no homeland defense/homeland security (HLD/HLS) mission has been assigned to the Navy's Reserve, but the Assistant Secretary of Defense for Reserve Affairs and the Assistant Secretary of Defense for Homeland Defense are conducting a study to determine the appropriate role of Reserve components in these critical areas. Upon completion of the study, new and existing naval capabilities present in the Navy's Reserve could be assigned HLD/HLS missions. These might include harbor defense, port security, maritime surveillance and tracking, AT/FP roles, Joint Fires Network Units and maintenance of shipping channels. As we move forward, evolving missions will continue to influence our force shaping and integration initiatives, with the endstate being a more combat-capable total force.

Priority #4: Quality of Service

Quality of Service is the combination of quality of life and quality of work. It is about achieving balance, personal and professional. The Navy will continue to strive to make available the best facilities and equipment to train, deploy, and fight, and our reservists will benefit from ongoing integration and alignment efforts. Ensuring that our Navy's reservists can rely on predictability, periodicity, pay and benefits, will greatly assist each sailor to achieve that balance.

- Predictability: Every sailor in the Navy's Reserve wants to make a difference and needs to know with reasonable advance notice, when and where they will train or perform operational support, whether mobilized, on active duty orders or on routine drills. As part of a fully integrated force, reservists will train or perform meaningful work that provides or enhances capabilities required by the fleet. Additionally, individual reservists will be able to anticipate drills and periods of active duty through processes that will track and match necessary skills to appropriate billets or orders.
- Periodicity: Individual reservists' availability varies during the year and with each employer. These periods of availability can be leveraged to enable each sailor to provide meaningful fleet support. "Flexible drilling" is encouraged to allow reservists to combine traditional drill weekends to work for a week once a quarter, 2 weeks every 6 months, or even for several weeks once a year to satisfy participation requirements. If a unit or individual is called to mobilize, reservists should receive as much notice as is possible, with a target of 30 days, to help minimize potential employer or family conflicts.

- Pay and Benefits: Reservists should be assured that their benefits will appropriately address their individual and family needs, whether serving at home or abroad. Development of a single pay and benefits system continues to be a priority to standardize the administration of both active and Reserve personnel in all services.

Continuous professional improvement is important to every sailor, active and Reserve. Accordingly, the Navy's Reserve is a full partner with the Navy in the Sea Warrior initiative, enabling an individual to easily access and monitor their career progression and future options. Navy reservists have full access to both the Navy-Marine Corps Intranet (NMCI) as well as the Navy Knowledge Online (NKO) web portal, which connects every sailor, active, Reserve or retired, and families, to information that will significantly aid in their overall education, growth and development.

Priority #5: Alignment

The Navy will continue to take an active role in optimizing the balance of Active and Reserve Forces to support our National Military Strategy (NMS) and win the global war on terror. We recognize that this balance is dynamic and we continuously review our force structure and capability in order to improve integration and alignment. Integration provides the Navy's Reserve a path to current equipment, concepts and tactics, thereby increasing combat readiness and warfighting wholeness. Through integration, the Navy's Reserve will become a more capable and agile force with increased warfighting capability and a much-improved ability to meet fleet requirements.

In support of alignment and efficiency, we recently consolidated three Navy Reserve staffs in New Orleans into a single Echelon III staff to function as the provider of Reserve capabilities to Fleet Forces Command. Commander, Naval Air Forces Reserve (CNAFR) has been assigned as Vice Commander Naval Reserve Forces Command, further aligning Reserve capabilities under a single structure to work with the active component to fully align and integrate the Navy's Reserve. CNAFR has also been assigned additional duty to Commander, Naval Air Forces (CNAF) in San Diego, CA, to align active and Reserve aviation capabilities.

We are embedding key full-time support staff in headquarters, fleet and type commands. We have developed strategic linkages between Reserve Forces Command and Fleet Forces Command with tangible results, and continue to build new bridges throughout the Navy. This was done to more closely align Reserve and Active Forces and to improve combat effectiveness and efficiency. These actions will strengthen ties between the Navy's Active and Reserve Forces and are the first steps in an overall initiative that seeks to define, and subsequently forge a cohesive "total force" team that can more effectively satisfy the Navy's operational requirements. We will continue to identify and propose practical ways to better integrate reservists and equipment with the fleet, and have taken steps to accelerate and solidify our integration efforts. We are also participating in a new officer exchange program with other Guard and Reserve components, starting with the Army National Guard. This initiative will lead to full integration at National Guard State Headquarters Command Units to support Northern Command's (NORTHCOM) homeland security initiatives.

III. ACCOMPLISHMENTS

Today's strategic environment requires naval forces that can rapidly deliver decisive combat power through a rotational, surge capable force. OEF and OIF demonstrated not only the tactical value of this operational concept, but also the potent warfighting capabilities of a flexible, responsive maritime force, operating either independently or as part of a broader Joint Force. The Navy's Reserve played a significant role in the surge to war.

On September 17, 2001, the first mobilization orders were sent to the force. Since that day, 4,537 officers and 18,436 enlisted personnel have been mobilized, providing operational support to either their supported commands or to combatant commanders around the world. With respect to OIF, 12,046 Navy reservists served their country in Navy and joint commands. While some units and equipment were mobilized in support of OIF, we have been able to maximize individual mobilizations to support requirements submitted by combatant commanders, validated by the CNO's staff, and ordered to active duty by the Chief of Naval Personnel. For example, 362 drilling reservists were mobilized to augment the staff of Commander, U.S. Fifth Fleet, the Naval Component Commander for Commander, U.S. Central Command and other subordinate commands. These Navy reservists supported this active duty staff in the development of the OIF air plan. Since January 2003, 478 Navy reserv-

ists attached to Navy Cargo Handling Battalions across the United States were mobilized to facilitate the movement of cargo from bases in the United States and overseas to the Central Command area of operation theater in support of OIF.

A group of Navy reservists from Fort Worth, TX, made history on the decks of U.S.S. *Theodore Roosevelt* (CVN 71). For the first time since the Korean War, an entire Navy Reserve tactical aviation squadron deployed aboard an aircraft carrier when the "Hunters" of Strike Fighter Squadron 201 were ordered to active duty. Completing a short notice workup, the squadron fully integrated with the active airwing, completed 224 combat sorties, delivered 125 tons of ordnance in combat, and impressed everyone with their experience, dedication, and capabilities.

When 800 active duty medical personnel from the National Naval Medical Center (NNMC), Bethesda, MD embarked in U.S.N.S. *Comfort* in March 2003 and another 498 NNMC medical personnel deployed as part of Casualty Receiving and Trauma Ship's team members, 548 Navy reservists were recalled to support the National Naval Medical Center. Civilian trauma and orthopedic surgeons were mobilized to treat the wounds of those sailors and marines who required more specialized care.

Eight hundred forty three naval reservists have been activated to support Marine Forces during the war, including 592 enlisted corpsmen assigned to provide critical battlefield medical support to front-line marine units. 134 Navy Reserve corpsmen have recently been recalled to support the marines' rotation in conjunction with OIF II. Of these, 24 reservists are volunteers for their second year of activation, while the remainder have just begun their first activation under the current partial mobilization authority.

Another success story was the mobilization of the "Firehawks" of Helicopter Combat Support Special Squadron Five (HCS–5) based at Naval Air Station North Island, CA, and their subsequent deployment to Iraq, where they continue to support Central Command (CENTCOM) operations. In March 2003, 70 percent of this squadron's selected reservists were recalled to active duty in preparation for OIF. This squadron is composed solely of drilling reservists and full-time support personnel, and is one of two squadrons in the Navy dedicated to Naval Special Warfare support and combat search and rescue. The Firehawks fly the latest model of the HH–60H Seahawk helicopter and their average pilot has more than 12 years of experience flying, and most have over 2,500 military flight hours. Although the majority of their flights in the Iraqi theater have supported special operations ground force missions, the squadron has other warfighting capabilities. The Firehawks have participated in operations in urban areas and have assisted with medical and casualty operations. As of the March 5, 2004, the squadron had flown 916 sorties and logged 1,738 flight hours.

Navy reservists from the Redwolves of HCS–4 based at Norfolk Naval Base will soon deploy to relieve the combat veterans of HCS–5. This critical capability embedded in the Navy's Reserve has proved to be invaluable in the support of special operations and the development of new tactics in the hostile urban warfare environment. It is a predictable and periodic capability that was ready when called upon; just what the vision of future Reserve contributions will be. They have trained with the special warfare units and now deploy with them to combat.

Recently, over 500 members of the Navy Reserve Expeditionary Logistics Support Force have been mobilized in support of OIF II, and it is anticipated that over 500 Seabees will be mobilized as well. Their combat service support capabilities are in demand to help relieve the U.S. Army and Coalition Forces in Iraq.

IV. SUMMARY

Before I close, I would like to thank this committee for the support you have provided the Navy's Reserve and all of the Guard and Reserve components. Last year's budget included several positive benefits that will help us recruit and retain our talented personnel to better support the Navy and joint commands. As you can see, this is a very exciting period for the Navy and its Reserve. The CNO has challenged every sailor to review current ways of doing business and find solutions to improve effectiveness and find efficiencies. The Navy's Reserve has accepted the challenge and promises the members of this committee that we will continue to do just that—examine all facets of our operation to support the fleet and accelerate our Navy's advantage.

Senator CHAMBLISS. Thank you, Admiral.

General McCarthy.

STATEMENT OF LT. GEN. DENNIS M. McCARTHY, USMCR, COMMANDER, MARINE FORCES RESERVE

General McCARTHY. Mr. Chairman and Senator Nelson, thank you very much for the opportunity to appear here on behalf of the Marine Corps Reserve.

The Marine Corps Reserve today is deployed both throughout the United States, in their home training centers, and around the world. I'm told that the Commandant appeared before a committee of Congress not too long ago, and said that the sun never sets on the United States Marine Corps. The sun never sets on the Marine Corps Reserve, either.

The force that we've mobilized consists of over 26,000 of our marines, drawn from both the Selected Reserve and the Individual Ready Reserve. They've served in combat, and they have served with great distinction.

Like the other Services, we are assessing the balance of that force. We're trying to determine the optimum organization. I would tell you that the Marine Corps Reserve that existed on September 11, 2001, was a pre-trained, balanced, and sustainable force. To use General Blum's terms, it was and remains an operational Reserve for the Marine Corps. The adjustments that we will make in the Marine Corps Reserve are not likely, in my judgment, to be radical in nature. I think that we will tweak the balance, but we will not be required to make radical adjustments in either our force structure or our organization.

We are facing a circumstance that, frankly, none of us have faced before. This idea that we need to sustain a level of mobilization year after year after year presents challenges that are new to us. Right now, we are meeting those challenges magnificently. As I tell people every place I go, the unhappiest marines in my force that I run into are those that we haven't called on yet. They want to go. They want to do their Nation's work, and they're ready to do it successfully.

How long we will be able to sustain that is certainly a question that all of us in a leadership role need to pay close attention to. We're meeting our recruiting goals. We're exceeding our historic retention levels. Things look very good right now. But all of us need to keep a very close eye on that, because, as General Helmly said, this is the first time we've done this with an All-Volunteer Force.

One of the key elements that I stress with our force is family readiness. I tell the marines in my headquarters that in Marine Forces Reserve, just about everything we do is at the tactical level. The one thing that we do that has strategic significance is our family readiness and sustaining those families. We work hard at that. It's critical to our success. The families that I talk to on a regular basis know that we're engaged. We don't always do it right, but we work hard at it. We've had tremendous support from families. As a result of that, I think from employers as well.

Overall, the status of your Marine Corps Reserve is very solid. The leaders of your Marine Corps Reserve are keeping their eye on it and keeping their finger on the pulse. I think that we have a force that you can be proud of.

I look forward to answering any specific questions that you have.

Thank you, sir.

[The prepared statement of General McCarthy follows:]

PREPARED STATEMENT BY LT. GEN. DENNIS M. MCCARTHY, USMCR

INTRODUCTION

Chairman Chambliss, Senator Nelson, distinguished members of the subcommittee; it is my honor to report to you on the state of readiness of your Marine Corps Reserve as a partner in the Navy-Marine Corps team. Your marines are firmly committed to warfighting excellence, and the support of Congress and the American people has been indispensable to our success in the global war on terrorism. Your sustained commitment to improving our Nation's Armed Forces to meet the challenges of today as well as those of the future is vital to the security of our Nation. On behalf of all marines and their families, I thank this subcommittee for your continued support.

YOUR MARINE CORPS RESERVE TODAY

As the last few years have demonstrated, the Marine Corps Reserve is a full partner in our total force. Reserve units participated in all aspects Operation Iraqi Freedom (OIF), providing air, ground, and combat service support as well as a large number of individual augmentees to marine and joint staffs. Reserve units continue to fill critical roles in our Nation's defense during the global war on terrorism—whether deployed in Iraq, Afghanistan, the Georgian Republic, Djibouti, Kuwait, and Guantanamo Bay, Cuba or on standby at U.S. bases to quickly respond to homeland security crises.

The Marine Corps has completed 27,389 Reserve activations, in response to both internal and joint operational requirements. Marine Forces Reserve has maximized the use of Individual Ready Reserve (IRR) volunteers, 4,570 have been activated to meet these requirements, primarily in the areas of staff augmentation, such as linguists, intelligence specialists, and for force protection requirements.

During the peak of Operation Enduring Freedom (OEF) and OIF, the Marine Corps had 21,316 Reserve marines on active duty.

Marine Forces Reserve proved once again that it was ready, willing, and able to accomplish its primary mission of augmenting and reinforcing the active component by seamlessly integrating into the I Marine Expeditionary Force. As an example of the level of support Reserve marines provided, 6th Engineer Support Battalion, the second largest battalion in the Marine Corps mobilized 1,972 of its 2,172 marines from 11 separate sites. The unit is comprised of 10 companies spread among 12 Reserve centers across the U.S. During the war, the battalion, commanded by LtCol. Roger Machut, USMCR, distributed 8 million gallons of fuel, produced and distributed over 3.1 million gallons of water, and provided material handling support for numerous convoys. In addition, the unit built the longest Hose Reel Fuel line system (80 miles), the largest tactical fuel farm and the longest Improved Ribbon Bridge in Marine Corps' history.

The Fourth Marine Division was equally engaged. Two infantry battalions, 2nd Battalion, 23rd Marines and 2nd Battalion, 25th Marines were directly engaged in ground combat, as was 4th Light Armored Reconnaissance Battalion, 4th Assault Amphibian Battalion, and other combat support and combat service support outfits. Reserve officers and staff non-commissioned officers (NCOs) effectively trained their units for combat and led them successfully in battle.

Marine Reserve KC–130Ts proved their worth. Using the most modern night vision equipment, they participated in 3rd Marine Aircraft Wing's assault support effort, landing on highways and dirt strips to resupply Forward Arming and Refueling Points that supported the I Marine Expeditionary Force's 500-kilometer drive from Basra to Baghdad and on to Tikrit.

The seamless integration of Reserve units is a credit to the Marine Corps commitment to total force. A strong inspector-instructor system, providing a top notch staff of active duty and active Reserve personnel at each site, and a demanding Mobilization and Operational Readiness Deployment Test program ensure Marine Corps Reserve units achieve the highest level of pre-mobilization readiness. Marine Corps Reserve Units train to a high readiness standard, eliminating the need for post-mobilization certification. For OIF the Marine Corps Reserve executed a rapid and efficient mobilization. While some of our Reserve units deployed in as little as 6 days from notification, on the whole our units averaged 23 days from notification to deployment. None of our units missed their deployment window. In fact, many of our units were notified, activated, and ready to deploy faster than strategic lift was available.

The ability of the Marine Reserve to rapidly mobilize and integrate into the active component in response to the Marine Corps' operational requirements is a tribute to the dedication, professionalism and warrior spirit of every member of the Marine team—both active and Reserve.

MARINES AND FAMILIES

Our future success will rely firmly on the Marine Corps' most valuable asset—our marines and their families.

Operational Tempo Relief

In addition to supporting Operations Noble Eagle (ONE), OEF, and OIF, Reserve marines provided operational tempo relief to the active component. Notably, 96 Reserve marines volunteered to participate in the West African Training Cruise (WATC 04), creating the first Reserve Marine Corps WATC, a biannual 6th Fleet sponsored exercise in West Africa. During the months of October and November 2003, the marines deployed to West Africa from various Reserve Training Centers (RTC) throughout the Midwest via Air Force strategic lift. There they boarded the high speed vessel (HSV) *Swift* and sailed Africa's west coast conducting training exercises with military forces from South Africa, Cameroon, Ghana, Gambia, and Senegal.

Marine Forces Reserve also provided the majority of Marine Corps' support to the Nation's counterdrug effort, participating in numerous missions in support of Joint Task Force 6, Joint Interagency Task Force-East and Joint Interagency Task Force-West. Individual marines and marine units supported law enforcement agencies conducting missions along the U.S. southwest border and in several domestic "hot spots" that have been designated as high intensity drug trafficking areas.

Similarly, 335 Reserve marines volunteered to deploy to South America to participate in Unitas 45–04. Sponsored by ComUSNavSouth, Unitas is an annual naval and amphibious exercise that takes place throughout South America. This will be the second Unitas sourced primarily from the Selected Marine Corps Reserve (SMCR). This year the SMCR marines of MARFOR Unitas will conduct a 13-week training program at Camp Lejeune, North Carolina, and subsequently embark on the U.S.S. *Tortuga.* From the *Tortuga* the marines will disembark to conduct bilateral training with our allies in the Caribbean and the Pacific. In Peru, MARFOR Unitas 45–04 will conduct a multi-national amphibious exercise that includes forces from Argentina, Bolivia, Chile, Ecuador, Mexico, Panama, Peru, and Uruguay.

Education

The Marine Corps Reserve continues to be a young force with about 70 percent of SMCR marines under 25 years old and serving on their first enlistment. Over 40 percent of Reserve marines are college students. Although many educational institutions support activated service members by refunding tuition and awarding partial credit for courses begun but not completed, there are no laws offering academic and financial protections for Reserve military members who are college students. We support the Employer Support of the Guard and Reserve's (ESGR) initiatives to improve communication between Reserve component personnel and their educational institutions.

Mobilization Support

Mobilization readiness is our number one priority and the men and women in the Marine Corps Reserve have responded enthusiastically to the call to duty. Approximately 98 percent of marines reported when mobilized. One of the keys to this success is the support given to the marines and their family members prior to, during, and after activation.

Programs such as MCCS One Source provide marines and their families with around-the-clock information and referral service for subjects such as parenting, childcare, education, finances, legal issues, elder care, health, wellness, deployment, crisis support, and relocation via toll-free telephone and Internet access. MCCS One Source familiarizes our activated Reserve marines and their families not located near major military installations to the requirements and procedures associated with military programs such as TRICARE.

TRICARE

Marine Forces Reserve recognizes family readiness as an essential part of mobilization preparedness. Upon activation, Reserve families must make significant adjustments in lifestyle. Civilian jobs and/or educational commitments must be correctly managed: proper notifications provided to employers to ensure legal protections, continued good marine-employer relations and an eventual smooth return.

Health care issues can be challenging, with families often required to shift providers in order to use TRICARE benefits.

Since September 11, Congress has gone to great lengths to improve TRICARE benefits available to the Guard and Reserve. Reserve members are now eligible for dental care under the Tricare Dental Plan for a minimal monthly fee. Mobilized Reserves are granted additional transitional benefits once their activation is complete. In an effort to increase awareness of the new benefits, Reserve members are now receiving more information regarding the changes through an aggressive education and marketing plan. Finally, the newest, temporary changes include provisional benefits to marines and their family members 90 days prior to their activation date and up to 180 after deactivation and extending TRICARE coverage to members and their families who are either unemployed or employed but not eligible for employer-provided health coverage. These benefits ensure that members have the means to become medically and dentally qualified for deployment prior to activation and remain qualified. We appreciate your continued support of these valuable health care benefits.

Family Support

At each of our Reserve Training Centers, the Key Volunteer Network Program serves as the link between the deployed command and the families, providing unit spouses with official communication, information, and referrals. This creates a sense of community within the unit. Additionally, the Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.) Program is a spouse-to-spouse orientation service offered to new marine spouses to acquaint them with the military lifestyle and the Marine Corps, including the challenges brought about by deployments. Online and CD–ROM versions of L.I.N.K.S. makes this valuable tool more readily accessible to working spouses of Reserve marines not located near Marine Corps installations. The Peacetime/Wartime Support Team and the support structure within the inspector and instructor staff provide families of deployed marines with assistance in developing proactive, prevention-oriented steps such as family care plans, powers of attorney, family financial planning, and enrollment in the Dependent Eligibility and Enrollment Reporting System. Our deployed commanding officers have confirmed the importance of this family readiness support while they were away and as part of their homecoming.

Marine For Life

Our commitment to take care of our own includes a marine's transition from honorable military service back to civilian life. The Marine For Life Program's mission is to provide sponsorship for our more than 27,000 marines who honorably leave Active service each year. The program was created to nurture and sustain the positive, mutually beneficial relationships inherent in our ethos, "Once a Marine, Always a Marine." In cities across the United States, marines help marines and their families transition from active duty to their establishment within a new community. Sponsorship includes assistance with employment, education, housing, childcare, veterans' benefits, and other support services needed to make a smooth transition.

Reserve marines have a unique opportunity to help their fellow transitioning marines and also use this program. To provide this support, Marine For Life taps into the network of former marines and marine-friendly businesses, organizations, and individuals that are willing to lend a hand to a marine who has served honorably.

The Marine For Life Program was initiated in fiscal year 2002 and will reach full operational capability this fiscal year. In addition to 110 Reserve marines serving as "Hometown Links," an enhanced web-based electronic network, easily accessed by marines worldwide, will help support the program. The Marine For Life Program is a nationwide network available to all marines honorably leaving active service. It serves to improve their transition to civilian life and ensure that no marine who honorably wore the Eagle, Globe, and Anchor is lost to the Marine Corps family.

The Marine Corps Reserve also provides a significant community presence in and around our 187 sites nationwide. An important contribution Marine Forces Reserve provides is support for military funerals for our veterans. The active duty staff members and Reserve marines at our sites performed 6,117 funerals in 2003 and we anticipate supporting as many or more this year. The authorization and funding to bring Reserve marines on active duty to perform funeral honors has particularly assisted us at sites like Bridgeton, Missouri and Devens, Massachusetts where we perform several funerals each week. We appreciate Congress exempting these marines from counting against active duty end strength.

CURRENT READINESS

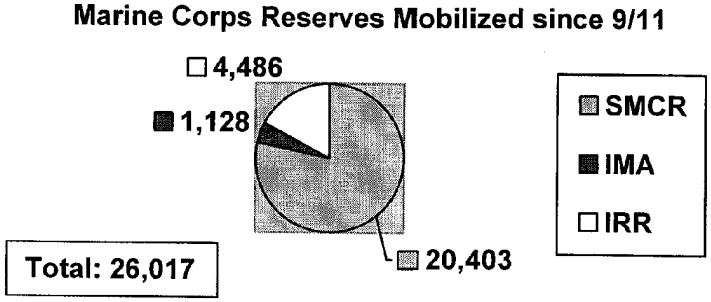
As of March 1, 2004, the Marine Corps Reserve was over 98,000 strong. While 59 percent of this population (58,571) is in the IRR, the remaining 41 percent (40,235) are assigned to units, either as drilling members or active Reserve marines, or are in the training pipeline for units.

The Marine Corps Reserve is a pre-trained, balanced, and sustainable force capable of rapid deployment to a combat environment. It is important to note that less than 1 percent of our SMCR unit strength represents a Reserve-unique capability. The current Marine Forces Reserve structure also reflects a large enterprise ratio: 98 percent are deployable warfighters. (A minimal number of active duty and Reserve personnel are in administrative/support roles.)

As of 18 March, 5,125 Reserve marines were on duty in support of contingency operations worldwide; 3,924 from Selected Marine Corps Reserve units and 1,201 Individual Augmentees. Reserve marines are fully integrated with and serving alongside their active duty counterparts in every hotspot in the global war on terrorism.

As of January 2004, we began activating marines that will support OIF II. To meet worldwide commitments, the Department of Defense has established a predictable and sustainable, capabilities-based tour length and rotation schedule for OIF II. Reserve marines are receiving 1-year activation orders and will deploy in theater for up to 7 months. This contributes to making Marine Forces Reserve a more sustainable force. Marine Forces Reserve currently has 3,308 marines mobilized for OIF II, 1st rotation. We are anticipating activating approximately 3,500 marines in the summer for OIF II, 2nd rotation.

Judicious use and coordinated planning has enabled us to activate only 1,153 Reserve marines more than once, 406 of those are currently activated. Since September 11, 20,403 (62 percent) of SMCR marines, 1,128 (64 percent) of Individual Mobilization Augmentees, and 4,486 (8 percent) of Individual Ready Reserve Marines have been activated. The latter is worth particular note as our IRR provides us versatility—an added dimension to our capability.



Marine Forces Reserve has identified several specialties as critical. To mitigate this challenge, volunteers from the IRR and from other Military Occupational Specialties, such as artillery, have been cross-trained to reinforce these critical specialties.

Additionally building on the important lessons learned of the last year, the Marine Corps is pursuing several initiatives to enhance the Reserves' capabilities as a ready and able partner of the Total Force Marine Corps. These pending initiatives include: increasing the number of Reserve military police units; establishing and reinforcing an Intelligence Support Battalion that will enhance command and control and increase Reserve component intelligence assets, to include placing Reserve Marine Intelligence Detachments at the Joint Reserve Intelligence Centers; returning some of our civil affairs structure to the active component to provide enhanced planning capabilities for operational and Service headquarters; and refocusing our Individual Augmentee management program to meet growing joint and internal requirements.

The Active Duty Special Work (ADSW) Program funds short tours of active duty for Marine Corps Reserve personnel. This program continues to provide critical skills and operational tempo relief for existing and emerging augmentation requirements. The use of ADSW enables us to use marines who volunteer for short periods of active duty, rather than involuntarily activating Reserve marines.

The requirement for ADSW has increased to support pre-mobilization activities during fiscal years 2003 and 2004 and will be further challenged during post-mobilizations. In fiscal year 2003, the Marine Corps executed 942 work-years of ADSW at a cost of $51.5 million. Continued support and funding for this critical program will enhance flexibility thereby ensuring our Total Force requirements are met.

Recruiting and Retention

The Marine Corps Reserve has achieved historically high retention rates in fiscal year 2003 and, the retention rate for the Marine Corps Reserve remains favorable with a 7- to 10-percent increase over retention rates in the near-term past. Marine Forces Reserve will not be complacent about these positive trends. Every Marine Corps leader knows the role of leadership, training, and family readiness programs in the recruiting and retention of our marines.

With the accession of 6,174 non-prior service marines and 2,663 prior service marines, the Marine Corps Reserve met and exceeded, respectively, current recruiting goals. Current Military Occupational Specialty (MOS) match rates are exceeding the goal of 75 percent with an enlisted MOS match rate of 87.4 percent and officer match rate of 75.8 percent.

As of 29 February 2004, our end strength was 40,235, which is 635 above our authorized end strength but within the allowable 2 percent variation. Officer recruiting and retention remains our most challenging concern. This is due to the low attrition rate for company grade officers from the Active Force. The Marine Corps recruits Reserve officers almost exclusively from the ranks of those who have first served an active duty tour as a marine officer. We are exploring methods to increase the participation of company grade officers in the SMCR through increased recruiting, increased command emphasis on Reserve opportunities and participation, and Reserve officer accession programs for qualified enlisted marines.

The Marine Corps supports the legislative proposal to allow bonuses for officers in the SMCR who fill a critical skill or shortage. We currently have a shortage of Reserve company grade officers and this bonus could complement other efforts we are making to increase their participation.

National Guard and Reserve Equipment Appropriations (NGREA)

The $44 million provided by fiscal year 2004 NGREA will provide the Reserve Force with the systems needed to improve mission capability and readiness now and into the future. Important communications systems such as the SMART–T, EPLARS, and Iridium Satellite phones will greatly enhance our ability to integrate with the active component. This year's funding also allows us to purchase and install the AH–1W Electronic Warfare Suite (AFC–230) for almost half of our attack helicopters. This is a defensive system required for all Marine Corps aircraft operating in OIF II.

Equipment

I am most pleased to report that every Reserve marine deployed during OIF and OEF and those currently deployed into harm's way are fully equipped with the most current Individual Clothing/Combat Equipment (ICCE) and Individual Protective Equipment (IPE).

Congressional funding has enabled us to begin issue of the new Marine Corps combat utility uniform.

Operationally, since I last testified, over 40,000 pieces of Reserve combat equipment including individual and crew served weapons, night vision devices, radios, computers as well as principle end items have been deployed, engaged in theatre, redeployed through the maintenance cycle and returned to Reserve Training Centers. This equipment is now reconstituted and ready for future deployment.

Maintaining current readiness levels will require continued support as our equipment continues to age at a pace exceeding replacement. Within Reserve aviation, the average age of our youngest platform is the UC–35 at 6 years, followed by the AH–1W Cobra at 11 years, the CH–53E at 16 years, the KC–130T at 18 years, the F/A–18A at 20 years, and the F–5 at 31 years. Our oldest platforms—platforms that have exceeded programmed service life—include the UH–1N at 33 years (20-year service life) and the CH–46E at 37 years (20-year service life with "safety, reliability, and maintainability" extension to 30 years). Maintaining these aging legacy platforms requires increased financial and manpower investment with each passing year due to obsolescent parts and higher rates of equipment failure. Aircraft maintenance requirements are increasing at an approximate rate of 8 percent per year. For example, for every hour the CH–46E is airborne it requires 37 maintenance manhours.

The increasing age of our equipment is also a challenge within the Reserve ground component. I am pleased to report that we are meeting these challenges in

several areas. Of our 3,448, aging High Mobility Multipurpose Wheeled Vehicle, Basic and A1 (HMMWV A1) variants, Marine Forces Reserve replaced 1,162 with the HMMWV A2 variant. Of our 1,233 5-ton truck fleet, 604 have been replaced with the Medium Tactical Vehicle Replacement (MTVR).

We are receiving about 300 new HMMWV A2 each year and based on that replacement rate, the projected full replacement will be completed in fiscal year 2009. We are scheduled to receive an additional 301 MTVRs between now and November 2004 with our entire 5-ton truck fleet replaced in fiscal year 2005.

Efforts to improve our communications capabilities have focused on increased fielding of several tactical single-channel radio programs including the PRC–117 satellite radios, PRC–150 HF radios and PRC–148 squad radios. Previous NGREA funding has allowed Marine Forces Reserve to field a myriad of alternative power source devices to all Reserve communication units, providing a range of alternative power options that is comparable and in some cases exceeds that of active component units.

As I mentioned earlier, mobilization readiness is my number one priority. In order to continue seamless integration into the active component, my ground component priorities are the sustained improvement of ICCE/IPE and overall equipment readiness. With your continued support, Marine Forces Reserve will deploy marines with the best available individual equipment and principal end items needed to accomplish their mission and return home safely.

We are thankful for and remain confident in the readiness of the Marine Corps Reserve, and we seek your continued support in the fiscal year 2005 President's budget. Your continued support is critical in our ability to maintain readiness and mission capability to support operations in support of the global war on terrorism.

INFRASTRUCTURE

Marine Forces Reserve is and will continue to be a community-based force. This is a fundamental strength of Marine Forces Reserve. Our long-range strategy is to maintain that fundamental strength by maintaining our connection with communities in the most cost effective way. We do not want to be located exclusively in just several large metropolitan areas or consolidated into a few isolated enclaves.

We seek every opportunity to divest Marine Corps-owned infrastructure and to locate our units in Joint Reserve Centers (JRC). Marine Forces Reserve units are located at 187 sites in 48 states, the District of Columbia, and Puerto Rico; 33 sites are owned or leased by the Marine Corps Reserve, 154 are either tenant or joint sites. Fifty-three percent of the Reserve centers we occupy are more than 30 years old, and of these, 37 are over 50 years old.

Investment in infrastructure has been a billpayer for pressing requirements and near-term readiness for most of the last decade. The transition to Facilities Sustainment, Restoration, and Modernization (FSRM) funding has enabled us to more accurately capture our requirements and budget accordingly. As with the active component, we do not expect to be able to bring our facilities to acceptable levels of readiness before fiscal year 2013. In fiscal year 2003 we funded seven Whole Center Repairs in a step forward to meeting the fiscal year 2013 goal. This will reduce the facilities currently rated below acceptable levels to 58 percent. We still face a backlog in restoration and modernization across the Future Years Defense Program (FYDP) of over $30 million. Adequately maintaining facilities is critical to providing training centers that support the readiness of our marines and sailors and sends a strong message to them about the importance of their service. Replacing inadequate facilities is also part of our overall infrastructure program. The yearly presidential budget average for new military construction of $8.67 million for the previous 6 fiscal years has allowed us to address our most pressing requirements.

Past vulnerability assessments identified $33.6 million in projects to resolve antiterrorism/force protection (ATFP) deficiencies at the 41 sites that we own or at which we have responsibility for site maintenance. We have expended $8.3 million the last 2 years to reduce these vulnerabilities. The age of our infrastructure means that much of it was built well before ATFP was a major consideration in design and construction. These facilities will require ATFP resolution through structural improvements, relocation, replacement, or the acquisition of additional stand-off distance. All these expensive solutions will be prioritized and achieved over the long-term to provide the necessary level of force protection for all our sites. We continue to improve the ATFP posture at our RTCs and are acting proactively to resolve the issues and deficiencies.

Base Realignment and Closure (BRAC)

We see BRAC 2005 as an opportunity for efficient joint ventures and increasing training center utilization while still maintaining our community presence. We plan

to reduce our restoration, modernization backlog and ATFP vulnerability through joint basing in BRAC 2005. We are consulting with the other Reserve components and collecting data for the Joint Cross Service Groups and the Secretary of the Navy Infrastructure Analysis Team to analyze and develop the best possible Reserve basing solutions while also striving to ensure that the Marine Corps Reserve is not the victim of an unintended consequence of a larger closure. For example, an unintended consequence of closure of Naval Station Roosevelt Roads is the closure of our collocated RTC. We are working with the Army Reserve and National Guard to mitigate the situation by reducing the military construction requirement through a joint solution to our basing requirements in Puerto Rico.

Our fiscal year 2005 President's budget submission for Military Construction Naval Reserve (MCNR) is $12.5 million, 32 percent greater than the fiscal year 2004 enacted level. The fiscal year 2005 request addresses our most pressing requirement—a new RTC and Vehicle Maintenance Facility (VMF) in Jacksonville, FL and a VMF in Norfolk, VA. We support maximized use of joint—where we partner with one of the other Services—construction projects to the greatest extent practicable for efficiency and economy. Joint construction often provides the most cost effective solution for each of the Services and to the taxpayer. In addition to the MCNR program, we are evaluating the feasibility of other innovative solutions to meeting our infrastructure needs, such as real property exchange and public-private ventures. The overall condition of Marine Corps Reserve facilities continues to demand a sustained, combined effort of innovative facilities management, proactive exploration of and participation in joint facility projects, and a well-focused use of the construction program.

MODERNIZATION AND TRANSFORMATION

The following modernization priorities represent low investment/high pay-off capabilities, closely linked to Marine Corps operational concepts and doctrine, relevant to the combatant commanders, and essential to the survival of our marines in combat.

Command, Control, Communications, and Computers (C4)

With your help, we have made great strides in C4 equipment readiness during the past year. Marine Forces Reserve's C4 readiness increased noticeably, due to the fiscal year 2003 NGREA. As I speak to you today, a detachment of our 4th Air Naval Gunfire Liaison Company (ANGLICO) is in Iraq, outfitted with high frequency and satellite radio equipment almost completely procured with the fiscal year 2003 NGREA funds. This marks the first time in the past year and a half an ANGLICO unit performed its mission without provisioning radio equipment from its gaining force commander.

There are a few areas that I would like to bring to your attention in which you may again assist us. Because of the increased reliance on Marine Forces Reserve's military police and civil affairs capabilities, we have validated additional requirements for 200 handheld radios. Critical new requirements have emerged for our civil affairs groups' coordination and command-and-control capabilities such as the additional validated need for 100 AN/PRC–148 handheld radios and 50 single channel/satellite AN/PRC–117 radios to meet the unexpected growth in civil affairs capabilities.

Digital Data Servers

Progress has been made in fielding new equipment to bridge the gap between active component units and their Reserve counterparts. However, there are areas of improvement in which you can help speed the closure of the gap.

Prior to completion of Marine Forces Reserve fielding, 24 MFR DDS suites were reallocated to support training requirements for OIF. The shortage of DDS suites limits the ability of Marine Forces Reserve units to transfer data.

Data Relay: The CoNDOR Initiative

Today, battalion-level units in the Total Force are unable to receive robust data communications beyond line-of-sight. Regimental-level units rely on satellite and multi-channel radios to maintain reliable SIPRNet communications to senior and parallel headquarters across the battlefield. The data link down to battalion-level units is the Enhanced Position and Location Reporting System (EPLRS), but it has a range limited by line-of-sight. The range limitation does not allow the SIPRNet to be extended from the regimental level to distant or fast moving battalion-level and below units. The Marine Corps CoNDOR initiative is an attempt to extend data networks beyond line-of-site. CoNDOR, which stands for C2 on-the-move Network Digital Over-the-Horizon Relay, uses satellite and ground radio relays mounted on

HMMWVs in three variants. It also allows units to use non-EPLRS radios to connect to tactical data networks. Though in the early stages of development, the Marine Corps Reserve's tactical C4 effectiveness as well as that of the active component could be significantly enhanced with fielding of the CoNDOR initiative.

Navy-Marine Corps Intranet (NMCI)

Another area that would benefit from your assistance is the fielding of deployable and non-deployable computers. With the delay of Marine Forces Reserve's transition to the NMCI, many Marine Reserve units have not received up-to-date hardware to replace their aging computers. At least 12 percent of our computers are incapable of running the Marine Corps-approved operating systems, creating compatibility and reliability issues. Marine Forces Reserve is advance-fielding NMCI deployable computers to units deploying for operations to mitigate this problem. While this is a quick fix, it does not solve the primary issue of aging computers in the force. Presently, Marine Forces Reserve is only funded for approximately 8,000 NMCI computers. Unfortunately this leaves 6,000 required NMCI computers, in the form of user seats, unfunded. Without the funding to replace our aging computers, Marine Forces Reserve will have to contend with critical long-term computer compatibility and reliability issues.

AN/PRC–150

The fiscal year 2004 NGREA significantly mitigated our high frequency radio readiness issues with the purchase of man-packed AN/PRC–150 radios to replace the obsolescent AN/PRC–104s. However, the acquisition objective for AN/PRC–150 radios will grow as more of the 20-year-old AN/PRC–104s become unserviceable. Our unfunded requirement is 130 AN/PRC–150s. Continued support for the funding of the AN/PRC–150s will keep potential high frequency radio readiness issues at bay.

As the transformation of our force continues, there will be a greater need for newer tactical C4 equipment to fill voids in satellite communications and data communications areas. Requirements for the Lightweight Multiband Satellite Terminal (LMST) will increase to provide the same wideband satellite communications capability resident in the active component's major communications units. Tactical data network requirements will continue to grow and so will the need for a continued refreshing of computer technology in the force. During the next year, requirements for additional LMSTs and tactical data network equipment will be identified for funding.

In the past few minutes, I pointed out several challenges in C4 readiness for Marine Forces Reserve. However, I want to emphasize that while challenges remain, your support in providing a path for us to replace and sustain our C4 equipment has placed your Marine Reserve in a much better C4 posture than a year ago.

TRANSFORMATION

Continuum of Service

Driven by the unique requirements of OEF and OIF, the Secretary of Defense has challenged the DOD to transition from a "Cold War approach" in many areas of national security policy and action. This mandate applies with particular force to those charged with employing the incredibly rich resource that the 1.2 million men and women of the Guard and Reserve constitute.

We must replace the blunt manpower instruments in use today with a kit of flexible, precise tools that allow members of the Reserve to move back and forth along a "continuum of service" that reflects both the needs of those who serve, and the requirements of those who would employ them. Continuum of service describes the full spectrum of Reserve marine availability, ranging from marines in the IRR who do not routinely train as members of a Reserve unit and who may never be recalled to active duty, to individuals who perform short-term active service during the course of a year, to the Reserve marine who volunteers for active duty for many months or a year. The continuum spans the range of potential employment—from 0 to 365 days in any given year—and encompasses all categories of Reserve duty from drills and annual training, to active duty in support of specific requirements and contingencies, to full mobilization.

Conceiving of Reserve service as a continuum matches the individual marine's capacity for service with operational requirements. It recognizes that an individual's "capacity for service" will probably change throughout that service member's career; and it recognizes there is value to the Nation at every point along the continuum. Finally, such an approach recognizes that gaining combatant commanders have a vast array of differing requirements amenable to a Reserve component solution.

The distinction between "emergency manpower" and "contingency manpower" is another aspect of the continuum of service, and is useful in understanding both resources and requirements. The requirement for "emergency manpower" is characterized by the once-in-a-generation requirement to build up the force for a major combat contingency like Operation Desert Storm or OIF. The "emergency" portion of the force comprises the vast majority of the 1.2 million men and women in the Guard and Reserve. The "contingency" manpower force, a smaller but still important segment, is a resource that can be applied against ongoing requirements, ranging from individuals who augment service on joint staffs for days or weeks, to scheduled unit rotations such as to the Sinai, Kosovo, or Unitas.

The idea that Reserve and Guard service can be a continuum and not a succession of polar opposites will require fundamental changes of both substance and perception. As we know, the increased use of the Guard and Reserve has been a reality for years. However, the administrative, personnel, and manpower systems supporting the Guard and Reserve have not kept pace with the increase in, and changing nature of, Reserve service. There are no insurmountable obstacles to the development and implementation of flexible tools to maximize use of this Nation's citizen-warriors. Taking transformational steps will provide the Nation with a key element of the affordable national defense taxpayers seek.

CONCLUSION

Your consistent and steadfast support of our marines and their families has directly contributed to our success. The Marine Corps appreciates your continued support and collaboration in making the Marine Corps and its Reserve the DOD model for total force integration and expeditionary capability.

Senator CHAMBLISS. Thank you, General.

General Sherrard, I'm sure in 1965, when you were flying those T–41s out of Moody, over my hometown, you had no idea you'd be up here testifying before this subcommittee. We want you to know we're pleased to have you here.

STATEMENT OF LT. GEN. JAMES E. SHERRARD III, USAF, CHIEF, U.S. AIR FORCE RESERVE

General SHERRARD. Thank you very much, Mr. Chairman and Senator Nelson. It's, indeed, an honor. I must thank you very much for those very kind words.

You're right. In 1965 when I was over Homerville, Georgia, I didn't have a clue about what life was going to be, other than the fact that I was getting paid to go fly, and there was nothing better.

I must tell you that it is, indeed, an honor and a privilege that I have the chance to speak with you today and talk about the accomplishments of the men and women of the Air Force Reserve. I'm extremely proud of them. In our prepared statement, we put some facts that I think you will find most interesting. They are truly a dedicated force, as all of my colleagues represent, a force equally as dedicated and capable. It's essential for the things that we're being asked of in support of our Nation. They, in fact, are that.

In doing so, I must tell you that I view three major priorities that we watch very carefully and take great interest in all the time within the Air Force Reserve, the first obviously being people. Recruiting and retention is important. As my colleagues have said, we continue to watch recruiting. It is difficult, there's no question about it. We're maintaining recruiting goals and exceeding the goal, but the big dilemma for us, in the Air Force Reserve, in particular, is the limited number of active-duty prior-service members available for us to bring into our force. In past years, we were an 80 percent/20 percent force, and roughly 80 percent prior service, we would bring them in. Today, that has dropped to 61/39. That

creates longer training times and more expensive training dollar requirements that are necessary to bring the non-prior service member up to the level of experience that we need to do the things that we're being asked to go do.

On the retention side, I would tell you we're doing great, and we want to continue to watch that. I personally believe it's still too early to call the actual state we're going to be in. If I go back and look in the 1992–1994 timeframe, after Operations Desert Shield and Desert Storm, we were averaging somewhere between 10,000 to 11,000 losses a year. Obviously, in 2002, we were stop-lossed almost the entire year, our losses were extremely low. In 2003, we had an increase, up to slightly above what our normal average is. The historic average over about a 13-year period has been about 9,100 people. We had just over 10,000 that left us in fiscal year 2003. In 2004, it doesn't appear we will reach that level, but I want to be very careful, because everyone understands the important role that they have, and they want to be part of it. I've heard my Navy friends say before and I'm very proud to say that we, in the Air Force Reserve, can also attest for those members that were mobilized either in Operation Desert Shield or Operation Desert Storm or under the current operations we have a higher retention rate, between 8 percent to as high as about 11 percent in some areas, over the force that was not mobilized. That speaks well for those members, knowing the important role that they play. We also have to make certain that we, in fact, provide them the requisite resources and protections, as well as fair compensation, in order to retain that member into the future. That will be so essential for us to do our business.

One of the key priorities under the people category is maintaining a workplace that is safe, free of discrimination, and free of harassment, and that is a top priority within our command. We will always endeavor to do that. I think it ties right in with your comments and concerns about sexual assault. I will tell you that we insist on zero-tolerance for sexual assault. It is a crime, and it is not something that can be condoned.

We are part of the active Air Force's program, in terms of evaluating policies and procedures determining what we need to be changing and evaluating. We have that response due to the Vice Chief of Staff of the Air Force (VCSAF) on April 9. I just had my teams complete our last location, where we went and looked at each of the Air Force Reserve host locations. The tenant locations were looked at as the Active Force came and looked at their host locations from their perspective. There are certainly some challenges that we will have to face in our world, unlike the active-duty world, in terms of status of the members either at the time that the incident may have occurred, or afterwards, as well as the availability of the right processes for support of the member because we don't have full-time medical support, we don't have full-time counseling, and things of that type. So we have to make certain we have connection within the community which can provide services, or the opportunity to get victims to an active-duty facility which will provide that so-critical resource to the member in their time of need. They, in fact, must know that they have a place to which they can come to and seek assistance, and not become a victim a

second time. It is intolerable if that should happen. We would all be very remiss in our duties if we were to let this happen.

I would echo what was said earlier when it comes to the question of equitable and fair treatment within the terms of compensation and benefits. I can only speak for the Air Force Reserve, but the key point to remember is that we provide about 20 percent of the Air Force's combat capability for about 4 percent of the Air Force's Total Obligation Authority (TOA). That's a great return on the investment that the American taxpayer has placed in each of us.

That being said, we have to make certain that we don't have the perception, whether it's actually there or just in the mindset of the member, of haves and have-nots. I firmly believe, as the compensation review study just put out the other day, where it talks about maintaining the 1/30th rule, I certainly agree with that. We also need to look for equity within all the processes.

Two examples I would give you, that have been mentioned earlier, are reenlistment bonuses, the wide disparity that we have, the limitations in what we can and cannot go do, as well as critical skills bonuses; the fact that we in the Reserve component don't have that authority, but they have it in the Active Force. It's something that I believe is manageable, and I think it would be the right thing to do, that you get paid at an equal rate as your active-duty counterpart, based on the fact that you're getting 1/30th. You work a full month, obviously you're exactly like the Active Force and doing the exact same things that you would expect to be compensated accordingly.

The second major priority is readiness. I'm very proud to say that we in the Air Force maintain one tier of readiness. That's important in the way we do business within the Air Force. Both the Air Force Reserve and Air National Guard have units which are capable of deploying no later than 72 hours after notification. We rely on volunteerism. Our missions are such that we can utilize such until we reach the point that the volunteerism capabilities don't match what the requirements ask us to do, and then we must step forward and utilize the mobilization process to meet needs. That is the exact position we're in today.

The third bullet is modernization. Obviously, we need requisite equipment and need to make sure that it is relevant and that it's capable of providing what the combatant commander needs. In our case, it's precision munitions capability. We need to have that. Another major piece that I would mention is our ability to have integrated operational capability within the Air Force. We've been in the associate business within the Air Force Reserve since 1968. It has served us well in the strategic airlift and the air refueling world.

We have since taken this capability into the undergraduate pilot training program, where we're providing 225 full-time instructors or equivalents who relieve stress on our critical active-duty pilot force. We have also begun a fighter associate program, as well as Airborne Warning and Control System (AWACS) special operations. You name it, we're involved, and we're going to continue to look at new ways to utilize an integrated force to give us a better capability within the Air Force, and do the things our Nation is asking of us to do.

As I said earlier, I am extremely pleased and proud to represent the 79,000-plus men and women of the Air Force Reserve. I am pleased to have had the opportunity to serve in a military force which has been so graciously supported by you and the other Members of Congress over the years. I leave knowing that I have enjoyed every single day. My only regret is that I cannot ever again be that second lieutenant leaving Moody Air Force Base to go out on my first assignment.

So I stand ready to answer any questions that you may have, sir.

[The prepared statement of General Sherrard follows:]

PREPARED STATEMENT BY LT. GEN. JAMES E. SHERRARD III, USAFR

Mr Chairman, and distinguished members of the subcommittee, I would like to offer my sincere thanks for this opportunity, my last, to testify before you. As of 30 Sep 03, United States Air Force Reserve (USAFR) has a total of 8,135 people mobilized under Partial Mobilization Authority. These individuals are continuing to perform missions involving: Security, Intelligence, Flight Operations for Combat Air Patrols (CAPs), Communications, Air Refueling Operations, Strategic and Tactical Airlift Operations, Aero Medical, Maintenance, Civil Engineering and Logistics. The Partial Mobilization for the global war on terrorism is the longest sustained, large-scale mobilization in the history of the Air Force. AFR mobilizations peaked at 15,332 on April 16, 2003, during Operation Iraqi Freedom (OIF) with a cumulative 28,239 mobilizations sourced in every contingency supporting global war on terrorism since September 11, 2001. Early global war on terrorism operations driven by rapid onset events and continued duration posed new mobilization and re-mobilization challenges, which impacted OIF even though only a portion of the Reserve capability was tapped.

In direct support of Operation Enduring Freedom (OEF), OIF, and the global war on terrorism, Air Force reservists have flown a multitude of combat missions into Afghanistan and Iraq. The 93rd Bomb Squadron is an example of one of the many units to successfully integrate with Active-Duty Forces during combat missions in OEF and OIF. Reserve crews, which comprise 8 percent of the conventional crews, flew on 42 percent of all B–52 combat missions during four combat deployments in support of these operations. The 93rd Bomb Squadron performed many operations that were a first for B–52 operations as well as demonstrating maximum flexibility as a warfighting unit. One of their B–52s was the first to employ Precision Strike Laser Guided Bomb self-designate capability using the Litening II targeting pod. Reserve aircrews have also flown C–17 airland/airdrop missions into Afghanistan and Iraq delivering humanitarian aid and supplies for the warfighting effort. They also provided air refueling tanker crews and support personnel from the 434th Air Refueling Wing at Grissom ARB, Indiana (KC–135) and 349th Air Mobility Wing at Travis AFB, California (KC–10). Additionally, Air Force Reserve F–16 units have been involved in support of Operation Noble Eagle (ONE) by flying combat air patrols over key American cities (301st Fighter Wing, JRB NAS Fort Worth, Texas, 482d Fighter Wing, Homestead ARB, Florida, and 419th Fighter Wing, Hill AFB, Utah). These units were also deployed at various times in support of OEF and OIF operations.

RECRUITING

The Air Force Reserve continued to address new challenges in 2003. Partial mobilization persists, though it's reducing day-by-day, but volunteerism continues to be a significant means of contribution. Dedicated members of the Air Force Reserve continue to meet validated operational requirements. Recruiting and retention of quality service members is taking top priority for the Air Force Reserve Command (AFRC) and competition for these members among other Services, as well as within the civilian community has reached an all-time high.

AFRC end strength for fiscal year 2003 was 98.8 percent of authorized end strength.

Recruiting continues to pose other significant challenges as well. The pool of active duty separatees continue to shrink from its peak prior to force reduction over a decade ago, and a perceived likelihood of activation and deployment are being cited as significant reasons why separating members are declining to choose continuing military service in the Reserve. These issues further contribute to the civilian sector's ability to attract these members away from military service.

The Air Force Reserve is developing a strategy to take advantage of an Active-Duty Force Shaping initiative. Within this fiscal year, Air Force will offer active duty members the opportunity to use the Palace Chase program to change components. While the details are not fully approved, the Air Force Reserve may have an unprecedented opportunity to access prior service members in critical career skills.

We are hopeful that we will be able to preserve the training and experience of some 16,000 personnel who may take advantage of the opportunity to serve under Palace Chase, but we must ensure the right force mix and the right faces to match our vacancies—it's not just a "numbers drill".

One consequence of the reduced success in attracting separating members from active duty is the need to make up this difference through attracting non-prior service members. While having enough Basic Military Training and Technical Training School quotas has long been an issue, the increased dependence on non-prior service accessions strains these requirements even further.

RETENTION

Though retention was enhanced through "Stop-Loss" in the previous 2 years, the eventual effects of this program may be felt in this fiscal year. Even though "Stop-Loss" was terminated in June 2003, the 6-month manning policy provides an additional period of relief. Coupled with the policy to establish a separation date 6 months from the end of redeployment, if there will be a subsequent impact on retention, it will be felt in this fiscal year.

We continue to look for viable avenues to enhance retention of our reservists. The Reserve enlisted bonus program is a major contributor to attract and retain both unit and individual mobilization augmentee members in those critical (Unit Type Code tasked) career fields. We successfully increased the prior service enlistment bonus amount to $8,000 this past year for a maximum 6-year enlistment in accordance with related legislative authority granted in 2003. We continue to explore the feasibility of expanding the bonus program across AFRC as determined necessary; however, no decision has yet been made to implement. The Aviation Continuation Pay (ACP), Career Enlisted Flyers Incentive Pay (CEFIP), and Aviation Career Incentive Pay (ACIP) continue to be offered to retain our rated assets, both officer and enlisted.

One of the most positive quality-of-life enhancements occurred when the DOD reduced the required threshold for dependent eligibility for TRICARE Prime from 179 days of consecutive active duty to 31 days of duty. This threshold reduction allows for greater dependent health care for the vast majority of Reserve members serving on periods of active duty, and will greatly increase volunteerism across the force for a wide variety of requirements. Additionally, the National Defense Authorization Act for Fiscal Year 2004 provides for three temporary improvements to the overall TRICARE system for Air Force Reserve members: access to heath care for inactive members and their dependents, provided they are eligible for unemployment compensation or not otherwise eligible for employer-provided health care; earlier TRICARE eligibility for Air Force Reserve members with delayed effective-date activation orders; and finally, the period of time granted for transition health care coverage was expanded from 60 and 120 days up to 180 days for all members separating from active duty. These vast improvements in the TRICARE program, though temporary, will continue to pay dividends in the quality-of-life characterization for our Air Force Reserve members, and ultimately serve as a critical readiness tool.

Space Operations

AFRC provides over 1,100 trained space officer, enlisted, civilian, and contractor personnel at more than 15 locations to acquire, plan, launch, task, operate, assess, and protect more than 28 weapon systems at 155 units worldwide for Air Force Space Command, United States Strategic Command, Headquarters Air Force, National Reconnaissance Office, and others. An annual budget of over $22 million funds AFRC space operations and requirements providing command, control, computers, communication, intelligence, surveillance, reconnaissance (C^4ISR), navigation, weather, missile warning, network security and force protection support to warfighters around the globe.

- Nine associate units at four locations operate Global Positioning System (GPS), Space-Based Infrared System (SBIRS), Defense Support Program (DSP), and Defense Meteorological Satellite Program (DMSP) satellites; fully integrate with the Network Operations and Security Center (NOSC) and Space AOC; conduct test and space aggressor activities; and provide security forces for land-based facilities.

- Nearly 700 individual mobilization augmentees (IMAs) at more than 15 locations provide support in all areas of the 'cradle-to-grave' life cycle of national space assets.
- AFRC space personnel have been fully involved in planning and executing military activities supporting ONE, OEF, OIF, and Operations Northern and Southern Watch.
- Reserve associate programs have been highly successful and are projected for additional growth in the future. Associate unit concepts being studied include space control, launch operations, intercontinental ballistic missile (ICBM) communications, and Space Operations School.

Associate Program

The AFRC associate program meshes Reserve units with active-duty units at bases throughout the United States. AFRC units use host aircraft and equipment for their training and work directly with their active duty counterparts. Associate mobility units fly C–141 Starlifter, C–5 Galaxy, and C–17 Globemaster III transports along with KC–10 Extender and KC–135 Stratotanker tanker aircraft. In the spring of 1996, AFRC began filling aircrew and maintenance support personnel positions in the 513th Air Control Group, an E–3 Sentry Airborne Air Control System unit.

AFRC is continuing to expand the scope of the associate program into new mission areas. New units supporting Air Education and Training Command's undergraduate pilot training program are being managed by the 340th Flying Training Group located at Randolph Air Force Base, Texas, and the 301st Fighter Squadron, F–16 associate instructor pilot program at Luke Air Force Base, Ariz. AFRC has an associate fighter unit at Shaw Air Force Base, SC, associate pilots flying F–16s with the "Aggressor" squadron at Nellis AFB, Nev., and an associate flight test unit integrated with the Federal Aviation Administration.

The flexibility of the associate program allows for the effective and efficient use of highly trained AFRC aircrew members. Associate units also provide aircraft maintenance personnel to maintain the active duty aircraft ensuring the utilization of our air frames to the maximum extent.

The 919th Special Operations Wing, Duke Field, Fla., trains in one of the U.S. military's most unique missions—special operations. Wing aircraft include MC130E Combat Talon I aircraft equipped for use in night/adverse weather, low-level, deep-penetration tactical missions. These aircraft have also been modified to conduct air-to-air refueling with special operations helicopters. In February 2000, the 8th Special Operations Squadron (active duty) joined the 711th SOS at Duke Field as a reverse associate unit—meaning active duty personnel fly Reserve-owned aircraft. The 919th SOW manages all Talon I aircraft in the Air Force inventory. This is a first for Air Force Special Operations Command and the second time in Air Force history since the EC–121 mission.

The wing also flies the MC–130P Combat Shadow aircraft (5th SOS), which has been modified with new secure communications, self-contained inertial navigation, countermeasures systems and night vision goggle-compatible lighting. The aircraft's primary mission is to conduct single-ship or formation in-flight refueling of special operations helicopters in a low to selected medium-threat environment. On October 1, 1999, the 5th SOS moved to Eglin AFB to join the 9th SOS (active duty) as an associate Reserve unit. This marked another first in the special operations mission area.

Finally, as mentioned above, the associate program in the space operations arena is rapidly expanding.

Associate units provide several benefits and enhancements to include the following:

- Force multiplier which increases surge capability for war time or contingencies
- Continuity as AFRC forces provide stability and a service option for departing active duty personnel
- Experience as reservists tend to have more years of service and bring invaluable civilian experience and knowledge to the military
- Efficiencies due to Reserve cost savings and sharing of weapon systems and equipment.

MODERNIZATION

Effective modernization of Air Force Reserve assets is a key issue to remaining a relevant and combat ready force. It has been and continues to be apparent that the Reserve component is crucial to the defense of our great Nation. The events of

September 11 cemented the total force initiatives already in place and AFRC is working shoulder-to-shoulder with the active duty and Air National Guard components in the long battle to defeat terrorism. Even before September 11, USAFR was an active participant in day-to-day AF operations. USAFR is no longer a force held in reserve solely for possible war or contingency actions—we are an operational reserve, at the tip of the spear. It is therefore imperative that we remain a relevant and combat ready force for the future.

Our modernization strategy is sound but is dependent upon lead command funding. Lead command funding of AFRC modernization priorities continues to be one of our challenges. We continue to work with the DOD and the Department of the Air Force to address our requirements. We greatly appreciate your support for the increase to the National Guard and Reserve Equipment Authorization (NGREA) funding in the National Defense Authorization Act for Fiscal Year 2004, as we strive to utilize the best technological advances available to us, to keep our people safe in current theaters of operations. Success in meeting our modernization goals depends on our cohesive and focused approach to accepting new mission areas, while ensuring the continued success of current mission areas and robust interaction with the lead commands, as well as keeping Congress informed of USAFR initiatives.

FLEET MODERNIZATION

F–16 Fighting Falcon

Air Combat Command and AFRC are upgrading the F–16 Block 25/30/32 in all core combat areas by installing GPS navigation system, Night Vision Imaging System (NVIS) and NVIS compatible aircraft lighting, Situational Awareness Data Link (SADL), Targeting Pod integration, GPS steered "smart weapons", an integrated Electronics Suite, Pylon Integrated Dispense System (PIDS), Digital Terrain System (DTS), and the ALE–50 (towed decoy system). The acquisition of the Litening II targeting pod marked the greatest jump in combat capability for AFRC F–16s in years. At the conclusion of the Persian Gulf War, it became apparent that the ability to employ precision-guided munitions, specifically laser-guided bombs, would be a requirement for involvement in future conflicts. Litening II Advanced Technology (AT), an upgrade to Litening II, affords the capability to employ precisely targeted Laser Guided Bombs (LGBs) effectively in both day and night operations, any time at any place. This capability allows AFRC F–16s to fulfill any mission tasking requiring a self-designating, targeting-pod platform, providing needed relief for heavily tasked active-duty units. AFRC will complete the purchase of AT upgrade kits and finish pod purchases for the F–16 this fiscal year. These improvements have put AFRC F–16s at the leading edge of combat capability. The combination of these upgrades are unavailable in any other combat aircraft and make the Block 25/30/32 F–16 the most versatile combat asset available to a theater commander.

Tremendous work has been done keeping the Block 25/30/32 F–16 employable in today's complex and demanding combat environment. This success has been the result of farsighted planning that has capitalized on emerging commercial and military technology to provide specific capabilities that were projected to be critical. That planning and vision must continue if the F–16 is to remain useable as the largest single community of aircraft in America's fighter force. Older model Block 25/30/32 F–16 aircraft require structural improvements to guarantee that they will last as long as they are needed. They also require data processor and wiring system upgrades in order to support employment of more sophisticated precision attack weapons. They must have improved pilot displays to integrate and present the large volumes of data now provided to the cockpit. Additional capabilities are needed to eliminate fratricide and allow weapons employment at increased range, day or night and in all weather conditions. They must also be equipped with significantly improved threat detection, threat identification, and threat engagement systems in order to meet the challenges of combat survival and employment for the next 20 years.

A/OA–10 Thunderbolt

There are five major programs over the next 5 years to ensure the A/OA–10 remains a viable part of the total Air Force. The first is increasing its precision engagement capabilities. The A–10 was designed for the Cold War and is the most effective Close Air Support (CAS) anti-armor platform in the USAF, as demonstrated during Operation Desert Storm, OEF, and OIF. Unfortunately, its systems have not kept pace with modern tactics as was proven during Operation Allied Force. The AGM–65 (Maverick) is the only precision-guided weapon carried on the A–10. Newer weapons are being added into the Air Force inventory regularly, but the current avionics and computer structure limits the deployment of these weapons on the A–10.

An interim solution using Avionics Interface Modules to integrate Litening II targeting pods was developed by the Air Reserve component to bring added combat capability quickly to the battlefield. This capability must be integrated permanently to bring full precision strike abilities to the fight. The Precision Engagement and Suite 3 programs will further expand this combat capability and help correct limitations of aged systems. Two other programs, Embedded GPS and Integrated Flight and Fire Control Computer (IFFCC) will increase the navigation accuracy and the overall capability of the fire control computer, both increasing the weapon system's overall effectiveness.

One of the A–10 challenges is resources for upgrade in the area of high threat survivability. The Avionics to EW Buss modification will enhance survivability by providing some automated flare dispensing. Previous efforts have focused on an accurate missile warning system and effective, modern flares; however a new preemptive covert flare system may increase survivability. The A–10 can leverage the work done on the F–16 Radar Warning Receiver and C–130 towed decoy development programs to achieve a cost-effective capability. In an effort to increase loiter time, we are installing fire suppressant foam in our Sergeant Fletcher external fuel tanks, allowing removal of current flight restrictions regarding use of the external tanks in combat scenarios. Next, critical systems on the engines are causing lost sorties and increased maintenance activity. Several design changes to the accessory gearbox will extend its useful life and reduce the existing maintenance expense associated with the high removal rate. However, the A/OA–10 has a thrust deficiency in its operational environment. As taskings evolved, commanders have had to reduce fuel loads, limit take-off times to early morning hours and refuse taskings that increase gross weights to unsupportable limits. AFRC A/OA–10s need upgraded structures and engines.

B–52 Stratofortress

In the next 5 years, several major programs will be introduced to increase the capabilities of the B–52 aircraft. Included here are programs such as a Crash Survivable Flight Data Recorder and a Standard Flight Data Recorder, upgrades to the current Electro-Optical Viewing System, Chaff and Flare Improvements, and improvements to cockpit lighting and crew escape systems to allow use of Night Vision Goggles.

Enhancements to the AFRC B–52 fleet currently under consideration are:

- Visual clearance of the target area in support of other conventional munitions employment;
- Target coordinate updates to joint direct attack ammunition (JDAM) and wind-corrected munitions dispenser (WCMD), improving accuracy; and
- Bomb Damage Assessment of targets.

In order to continue the viability of the B–52 well into the next decade, several improvements and modifications are necessary. Although the aircraft has been extensively modified since its entry into the fleet, the advent of precision guided munitions and the increased use of the B–52 in conventional and other operation requires additional avionics modernization and changes to the weapons capabilities such as the Avionics Midlife Improvement (AMI), Conventional Enhancement Modification (CEM), and the Integrated Conventional Stores Management System (ICSMS). Effective precision strike capability was proven during OEF/OIF using Litening II Targeting Pods. Permanent targeting pod integration is needed to retain this capability in the future. Changes in the threat environment are also driving modifications to the defensive suite including Electronic Counter Measures Improvement (ECMI). Modifications to enhance stand-off jamming capability are also underway to bring the B–52 into the AEA arena. The B–52 in the AEA configuration will provide the United States Air Force with the capability to deny, deceive, and destroy the enemy.

The B–52 was originally designed to strike targets across the globe from launch in the United States. This capability is being repeatedly demonstrated, but the need for real time targeting information and immediate reaction to strike location changes is needed. Multiple modifications are addressing these needs. Advanced weapons integration programs are needed for Joint Air to Surface Standoff Missile (JASSM), Joint Standoff Weapon (JSOF), and Miniature Air Launched Decoy (MALD) capability to be fully realized. These integrated advanced communications systems will enhance the B–52 capability to launch and modify target locations while airborne. Other communications improvements are Link 16 capability for intra-theater data link, the Global Air Traffic Management (GATM) Phase 1, an improved ARC–210, the KY–100 Secure Voice, and a GPS–TACAN Replacement System (TRS).

As can be expected with an airframe of the age of the B–52, much must be done to enhance its reliability and replace older, less reliable or failing hardware. These

include a Fuel Enrichment Valve Modification, Engine Oil System Package, and an Engine Accessories Upgrade, all to increase the longevity of the airframe.

MC–130H Talon

In 2006, AFRC and Air Force Special Operations Command will face a significant decision point on whether on not to retire the Talon I. This largely depends on the determination of the upcoming SOF Tanker Requirement Study. Additionally, the MC–130H Talon II aircraft will be modified to air refuel helicopters. The Air Force CV–22 is being developed to replace the entire MH–53J Pave Low fleet, and the MC–130E Combat Talon I. Ultimately, supply/demand will impact willingness and ability to pay for costly upgrades along with unforeseeable expenses required to sustain an aging weapons system.

HC–130P/N Hercules

Over the next 5 years, there will be primarily sustainability modifications to the weapons systems to allow it to maintain compatibility with the remainder of the C–130 fleet. In order to maintain currency with the active duty fleet, AFRC has accelerated the installation of the APN–241 radar as a replacement for the APN–59. All AFRC assets will be upgraded to provide Night Vision Imaging System (NVIS) mission capability for C–130 combat rescue aircraft. Necessary upgrades include defensive capability for the increasing infrared missile threat such as the Large Aircraft Infrared Countermeasures (LAIRCM) system.

HH–60G Pave Hawk

Combat Search and Rescue (CSAR) Mission Area modernization strategy currently focuses on resolving critical weapon system capability shortfalls and deficiencies that pertain to the Combat Air Force's Combat Identification, Data Links, Night/All-Weather Capability, Threat Countermeasures, Sustainability, Expeditionary Operations, and Para rescue modernization focus. Since the CAF's CSAR forces have several critical capability shortfalls that impact their ability to effectively accomplish their primary mission tasks today, most CSAR modernization programs/initiatives are concentrated in the near-term (fiscal year 2000–2006). These are programs that:

- Improve capability to pinpoint location and authenticate identity of downed aircrew members/isolated personnel
- Provide line-of-sight and over-the-horizon high speed LPI/D data link capabilities for improving battle space/situational awareness
- Improve command and control capability to rapidly respond to "isolating" incidents and efficiently/effectively task limited assets
- Improve capability to conduct rescue/recovery operations at night, in other low illumination conditions, and in all but the most severe weather conditions
- Provide warning and countermeasure capabilities against RF/IR/EO/DE threats
- Enhance availability, reliability, maintainability, and sustainability of aircraft weapon systems

Work continues on the Personnel Recovery Vehicle (PRV), a replacement for the ageing HH–60G helicopter sometime in the 2011 timeframe.

C–130 Hercules

AFRC has 127 C–130s including the E, H, J, and N/P models. The Mobility Air Forces (MAF) currently operates the world's best theater airlift aircraft, the C–130, and it will continue in service through 2020. In order to continue to meet the Air Force's combat delivery requirements through the next 17 years, aircraft not being replaced by the C–130J will become part of the C–130X program. Phase 1, Avionics Modernization Program (AMP) program includes a comprehensive cockpit modernization by replacing aging, unreliable equipment and adding additional equipment necessary to meet Nav/Safety and GATM requirements. Together, C–130J and C–130X modernization initiatives reduce the number of aircraft variants from twenty to two core variants, which will significantly reduce the support footprint and increase the capability of the C–130 fleet. The modernization of our C–130 forces strengthens our ability to ensure the success of our warfighting commanders and lays the foundation for tomorrow's readiness. Ongoing and future modernization efforts by AFRC include APN 241 radar and LAIRCM for our C–130H2/H3 aircraft. Fiscal year 2004 funds provided for APN 241 radar need additional funding in fiscal year 2005 to continue modifying the C–130H2s. LAIRCM is required to protect the aircraft from current and future IR threats. The AN/AAQ–24 LAIRCM system uses a laser beam to defeat the missile and does not rely on hazardous and politically

sensitive expendables that highlight the aircraft to additional threat. This is a multi-year program, fiscal years 2005–2009.

WC/C–130J Hercules

The current fleet is being replaced with new WC–130J models. This replacement allows for longer range and ensures weather reconnaissance capability well into the next decade. Once conversion is complete, the 53rd Weather Reconnaissance Squadron will consist of 10 WC–130Js. Presently, there are six WC–130J models at Keesler AFB, MS undergoing Qualification Test and Evaluation (QT&E). The remaining four aircraft currently loaned to Lockheed Marietta will be delivered to Keesler AFB in January 2005. Deliveries are based on the resolution of deficiencies identified during tests. This will impact the start of operational testing and the achievement of interim operational capability (IOC). Major deficiencies include: propellers (durability/supportability) and radar tilt and start up attenuation errors. AFRC continues to work with the manufacturer to resolve the QT&E documented deficiencies. The 815th ALS has 5 C–130Js at Keesler AFB. Conversion to eight PAA C–130J stretch aircraft is to be completed by fiscal year 2007.

C–5 Galaxy

Over the next 5 years, there will be important decisions made that will change the complexion of the AFRC C–5 Fleet. Currently, there are primarily sustainability modifications to the weapons systems to allow it to continue as the backbone of the airlift community. Two major modifications will be performed on the engines to increase reliability and maintainability. Additionally, the C–5B fleet will receive the avionics modernization that replaces cockpit displays while upgrading critical navigational and communications equipment. AFRC C–5As are not currently programmed to receive these modifications. The C–5A fleet has no Defensive Avionics Systems, and this lack of capability has significantly hampered the ability of the C–5A to participate actively in the global war on terrorism. If these aircraft are not upgraded, then they must be retired starting in fiscal year 2008.

C–141 Starlifter

For the past 30 years, the C–141 has been the backbone of mobility for the United States military in peacetime and in conflict. In the very near future, the C–141 will be retired from the active-duty Air Force. However, AFRC continues the proud heritage of this mobility workhorse and will continue to fly the C–141 through fiscal year 2006. It is crucial that AFRC remains focused on flying this mission safely and proficiently until transition to new mission aircraft is completed.

KC–135E/R Stratotanker

One of AFRC's most challenging modernization issues concerns our unit-equipped KC–135s. Seven of the nine air refueling squadrons are equipped with the KC–135R, while the remaining two squadrons are equipped with KC–135Es. The KC–135E, commonly referred to as the E-model, has engines that were recovered from retiring airliners. The remaining KC–135Es are being retired, and are being replaced by KC–135Rs. The last AFRC FC–135E will be retired in 4Q fiscal year 2005.

The ability of the MAF to conduct the air refueling mission has been stressed in recent years. Although total force contributions have enabled success in previous air campaigns, shortfalls exist to meet the requirements of our National Military Strategy. AMC's Tanker Requirements Study-2005 (TRS–05) identifies a shortfall in the number of tanker aircraft and aircrews needed to meet global refueling requirements in the year 2005. There is currently a shortage of KC–135 crews and maintenance personnel. Additionally, the number of KC–135 aircraft available to perform the mission has decreased in recent years due to an increase in depot-possessed aircraft with a decrease in mission capable (MC) rates.

CONCLUSION

I would like to thank this committee and the Senate for your continuing support. I am proud to tell you that our AFRC continues to be a force of choice whenever an immediate and effective response is required to meet the challenges of today's world. For more than 30 years the Air Force has relied upon the Reserve components to meet worldwide commitments. The events of September 11, 2001 and the global war on terrorism continue to highlight that reliance and have changed the way we think about and employ our forces. About one in three Air Force reservists has been mobilized at some point since that time. Transformation has proven to be an important aspect of the Air Force Reserve as we become more and more relevant in today's world.

We are ready in peace or war, available for quick response, and able to stay the course when called upon. Although we are involved more now in the daily mission of the Air Force, the focus of the Air Force Reserve Command continues to be readiness—we train during periods of peace so that we are ready to perform our wartime missions wherever we are needed, whenever we are called.

Like our active duty partners, the men and women of the Air Force Reserve are very busy. Trying to balance the demands of military service, family, and a civilian profession can be a demanding task, but ours is made easier by the support we receive from the American taxpayers, Congress, the DOD, and the Air Force.

The Air Force Reserve Command made major Air and Space Expeditionary Force (AEF) contributions in fiscal year 2003. AFRC met virtually 100 percent of both aviation and support commitments, deployed over 23,350 (14,130 aviation and 9,220 support) mobilized and volunteer personnel to meet these commitments. The challenge for fiscal year 2004 will be to meet the continued AEF demands of the global war on terrorism primarily with volunteers if the number of mobilized personnel decreases.

I would like to close by offering my sincere thanks to each member of this committee for your continued support and interest in the well-being and quality of life of each Air Force reservist. The recent pay increases and added benefits of the last few years have helped us through a significant and unprecedented time of higher operations tempo, calling for each member of the Air Force Reserve to give 200 percent to the mission while still keeping families and employers happy. This will be my final opportunity to represent these fine young men and women as the Chief of Air Force Reserve, and I leave, knowing that we are on the right path: a stronger, more focused, force. A force no longer in Reserve, but integrated into the very fiber of the Air Force; the tip of the spear.

Each of you can be proud of what we've accomplished together on behalf of our great Nation. Again, I offer my thanks to you and my sincerest best wishes for the future.

Senator CHAMBLISS. Once again, thank you for your great service to our country. We appreciate you.

General SHERRARD. Thank you, sir.

Senator CHAMBLISS. General Sherrard addressed the issue of sexual assault. Let me turn to the other three of you and ask you this question. You heard my question to the other panel. I want to know what you're doing, and how you're addressing this, particularly in light of the Secretary's request for a review of policy and procedures.

General Helmly, will you start, please?

General HELMLY. Senator, thank you. I would only add the following two points. First of all, just within the Army Reserve we have closed 18 cases involving 18 victims and 16 subjects. We have five cases still open. Of course, we are engaging, as part of the Army policy, not only in a review, but in the development of additional directives.

I would add one other point. I believe that we have to place, if you will, "added emphasis" within the Reserve components. The military culture is a zero-defects culture in this regard. We do not tolerate any instances of it. Over time, military values today differ somewhat from those values practiced in civilian society. Sex is emphasized in our society. Our soldiers, sailors, airmen, and marines from the Reserve components spend a large amount of that time exposed to the values in that society, where, in some corners, unfortunately, such instances are not looked upon with the same degree of disdain and abhorrence that we, in the military, apply to sexual assault or, indeed, sexual harassment. It is our intention, within the Army Reserve, to make it an added emphasis and to approach it with energy, Senator, and passion, as you described. I've directed the Inspector General (IG) of the Army Reserve Command

to begin a special review of the development of ethical cultures within the Army Reserve dealing with this issue, in my judgment, as the commander, of values in civil society. Are they differing that much from those values as practiced within the military culture?

Those are the only two additional points that I would make to what's been discussed previously.

Senator CHAMBLISS. Admiral.

Admiral COTTON. Yes, sir. I'd just like to say that about 14 years ago, we went through a tough chapter in our Navy history with incidents that everyone probably remembers. As a result, the Navy and the Naval Reserve have placed great emphasis on this topic ever since. The Naval Reserve is a full participant in what we call the Sexual Assault Victim Intervention (SAVI) program. We emphasize this throughout our leadership courses. We all live by our honor, courage, commitment, and core values. Last year we had one substantiated case, and we have one this year. Those are both one too many. Our programs are very effective, and they're emphasized at all command levels.

Senator CHAMBLISS. General.

General MCCARTHY. Senator, I take very seriously the suggestion that we, as military leaders, perhaps haven't given the correct impression about how seriously we take this. That may very well be the case. I know that it is something that General Hagee has emphasized to his commanders, and I have to mine. But I understand the importance of redoubling our efforts to make sure people, our subordinates, understand where we come from and where we stand on this issue.

It seems to me it is, in large measure, a leadership challenge, but leadership has to be translated into resources and support. I believe we're doing that throughout the Marine Corps and the Marine Corps Reserve.

In preparation for this hearing today, I read General Nyland's statement, the Assistant Commandant, and I was struck by his comment, and I'm going to steal it from him and adopt it, that: "A victim of an assault like this is a wounded comrade, and we never leave a wounded comrade on the battlefield." That's a pretty good approach, and we'll do everything we can to live up to that.

Senator CHAMBLISS. General Sherrard, you raised an interesting issue, in talking about making reenlistment bonuses for Reserve personnel equal to the active-duty. I'm not familiar enough with how the Air Force, for example, does this. Is there a set reenlistment bonus for a sergeant major or a captain that has a certain number of years of service that the Air Force gives so that you could translate into a comparable bonus?

General SHERRARD. Yes. In fact, it is based on the skill, and then depending on the particular position in their career path at the time of their enlistment, or reenlistment. In our case, we're allowed only one reenlistment bonus per individual, and we have a set limit on what that can be for those members. In terms of reenlistment bonuses, I think there's a mechanism by which you can compensate the members based on the 1/30th rule. If you should have a mobilization, you have an equal force, and Reserve members should not feel that their service is any less deserving than the other members. This is a very key point that I think we all need to watch.

In doing so, I think it would also allow us to maintain the fiscal constraints which we all have to live under, knowing that we're providing a Reserve Force, one which is not there 365 days a year but one which would allow equitable compensation for the member each day of duty, appropriately, in all categories, whether it be housing, enlistment bonuses, or aviation incentive pay on a equitable fashion.

Senator CHAMBLISS. Is that same thing basically true for the other Services?

Admiral COTTON. Yes, sir.

General HELMLY. It is, Senator. In the Army, the Reserve components are limited to one reenlistment bonus during a career. Further, there are matters of policy that mitigate against the health of that reenlistment program. An example is the fact that within a year of their expiration term of service (ETS) an active component member can gain a reenlistment bonus. The Reserve component member must be within 90 days of their ETS. That, in itself, is illogical, because when one is within 90 days, one has probably already made up their mind on whether or not to stay or to leave. A year, or the farther out you get, you have much greater flexibility, in terms of inducing the person to stay.

Admiral COTTON. Senator, I'd like to add that for several years now, the Navy and Navy Reserve have shared the same pay system, called Navy Standard Integrated Personnel System (NSIPS). We developed it at the Naval Reserve. It's based on the same software that DIMHRS someday will be based on. We've been kind of a "sea trial," if you would. I have to say it's very successful, as witnessed by very few pay issues as we mobilized folks to go overseas who are on the active pay system. It works. Along with that comes the pay, the benefits, and the bonuses that you talked about. We share the same policies that the active component has, and if we go after a special critical skill set, we do so in the same manner that active Navy does.

General MCCARTHY. We depend probably less on reenlistment bonuses and reenlistment incentives. Our force shape is different. But the requirement for critical-skills incentive pay is an important one. It's one that we need to continue to work. The help that we've gotten in the past has been very useful. It's something we need to continue to study.

I was talking to one of the staffers for Senator Collins this morning about critical-skills incentive pay for language skills, for example. These are some issues that we do need to continue to work.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

I am encouraged about the attention that I'm getting here on the sexual assault issue. It looks like it is not looked at as an annoyance, but as a serious crime. The reference to the victim as a wounded comrade, I think, perhaps says it best. We wouldn't want to shoot our comrades, friendly fire or otherwise; so why would anyone engage in this sort of activity? It's not enough said, because there will be more said, but I think the stronger the effort from the top down, making certain that all the commanders carry out the message, the sooner I think we'll see a reduction in the numbers. Certainly, that has to be our goal.

General Helmly, I asked before about the Army and the shifting money around so that at some point, there's a pot that gets emptied out and it's used for other causes. What are your thoughts about your funding? Have your funds been cut? Are you in danger of having them cut? Can you tell us a little bit about what you think your funding is and whether it's adequate to meet your needs?

General HELMLY. Thank you, Senator.

In fiscal year 2004, our current year, our funding is sufficient. I would like to cite the fact that last year, in fiscal year 2003, we approached this body through the Army and the DOD, and were successful in reprogramming about $170 million from Reserve personnel Army appropriations, our pay account, into operations and maintenance (O&M) appropriations. We used every penny of that to deal with the changed paradigms in this war. The rapidity of mobilization and pace no longer allows us to fund entirely out of active Army accounts, once we have mobilized the unit and purchased and stockpiled repair parts and other forms of special equipment, everything from goggles to holsters to cold-weather clothing. We have an entire list of things that we purchase with the O&M dollars, prior to mobilization, that contributes to warfighting readiness.

This year, in fiscal year 2004, our Reserve Personnel Allotment (RPA) account was reduced by $175-or-so million. Part of that was attributable to a mobilization offset. We'll be able to approach Congress with only about $42 million in reprogramming. Next year, in fiscal year 2005, our account was reduced by $272 million to pay for some of the TRICARE provisions that were extended in last year's law, and also as a mobilization offset.

In our judgment, the numbers there are incorrect. As my counterpart, General Schultz, did, I have met with the Chief of Staff, Army, and I have received his commitment and support to visit this issue at midyear this year and next year, and, further, received the Army's agreement that, henceforth, we will be included as a part of the supplemental request that comes from the DOD to this body to pay for obligations against the global war on terrorism.

So yes, our funds were reduced. In our judgment, it was by an inordinate amount. We have received the commitment of the Army leadership to address that and to ensure that we're adequately funded next year and this year.

Senator BEN NELSON. Of course, as I've indicated, I'm worried about robbing Peter to pay Paul, but robbing Peter to pay Peter within the Army is going to be a subject of our focus as we go through the year, because we can't simply come up short. There is a concern about supplementals, as you understand. It's easy to say, "Well, we'll get that from the supplemental," but I think in the budgeting process this year, if it holds, there is an account set up for potential supplementals. I've found back here, just as it is in the States, you can only spend that dollar once and can only account for it once.

General HELMLY. Right.

Senator BEN NELSON. So we are going to be very concerned about how that works out throughout the year.

Senator HELMLY. Senator, I would add that we're very conscious of that. While we deal in specific discreet appropriations between Services and components, et cetera, as you say, a dollar is a dollar, and that really is the foundation of where we're going in the future, where we propose to, in fact, reduce our structure and harvest existing dollars to reinvest in the remaining structure to bring the readiness of that remaining force to much higher levels.

Senator BEN NELSON. Clearly, training and equipping is an investment for readiness, and that's what has to be maintained. As someone who has put together budgets in the past, knowing that I had to balance them, because you can't borrow at the State level, and you can't be in deficit, I have maybe a unique interest in seeing it done in an appropriate fashion. The budgeting process in Washington is the equivalent of making a pie a piece at a time, and I'd like to see the comprehensive approach. That's why I'm going to be asking these kinds of questions about the budgeting and the funding, because I think it is essential. We can't just get to the end of the year and say, "Whoops, we're just a little bit short."

General HELMLY. Yes, sir.

Senator BEN NELSON. I'm sure you'll keep us posted on that throughout the year, as I'm sure General Schoomaker will keep us posted, as well.

General HELMLY. Yes, sir.

Senator BEN NELSON. We talked about retention incentives, and probably have hammered that pretty hard, but I think you can get a sense that we share your concern about future retention and recruitment. The loss of a fully trained soldier, airman, or marine is a cost to the military and, therefore, to our budgeting. We want to make sure that we have in place for you adequate means to keep the best and the brightest, and those who will contribute the most, and in whom we have invested a great deal of money, and have expectations, as well. I think we have an openness to suggestions that you may come up with as you go through the next year, in looking at your recruitment. There may be some additional or different mechanisms that you can use. I pledge my support to work with you.

I have felt that, for the Guard and Reserve units, the equivalent of a deployment 401(k) to set aside money for the days when you are deployed, so that you can pull it out and augment your income at home is a good idea. The dependents are a little bit happier when the budget isn't squeezed as tight as it might otherwise be squeezed. I don't know about our reservists back there, but I have talked to others, who said, "If I could just set aside some money, and then pull it out without bad or unfavorable tax consequences to have a little bit more to pull out when it's necessary." We thought it was a great idea. Unfortunately, we seem to be the only ones who thought it was a great idea.

If there are other avenues, please let us know, because I know we would be committed to helping you in every way we can.

General HELMLY. Senator, I believe you're familiar with the DOD Thrift Savings Plan (TSP).

A program for all members, whether they're deployed or not. I would refer you back to the Vietnam era. The DOD had a special

program for those who were deployed to Southeast Asia understanding you were bringing in some additional monies in the form of hostile-fire pay, and there was also, in those days, a tax exclusion also, to contribute some portion of that to such a plan. I'm sure that our books still record how that was run and what the business rules were in conjunction with the law. I think that might be a place that that search could begin.

Senator BEN NELSON. That is a helpful suggestion, thank you, General.

Are the other branches fully funded and not worried about whether you're going to be able to balance the accounts at the end of the fiscal year?

Admiral.

Admiral COTTON. Senator, I'd like to say that timing is everything. Just last night the Naval Reserve completed its midyear review by Navy, and we were praised for the way we're executing this year's funding. Across the board, we're funded. We're doing okay.

With that said, there is a certain increased tempo of operations (OPTEMPO) in certain skill sets such as security, force protection, and particularly our transport of our OIF–2 personnel going overseas. This is swept up in the Navy cost of war, and we are being looked at by them, and will be funded. We're included on the team. So it's a good-news story, sir.

Senator BEN NELSON. You're not going to be, at the end of the day, inadequately funded, or need a source of money for the other things.

Admiral COTTON. Any shortfalls are addressed by Navy, sir, to make sure that we can carry out the requirements.

Senator BEN NELSON. I'm sure Admiral Clark will be most generous in making sure that all happens.

General McCarthy.

General MCCARTHY. Sir, we transferred some money last year from our Reserve manpower account to the active account because we had fairly large numbers of people who were mobilized and who weren't drawing on the Reserve account. I felt like that was done in a very responsible way. The amounts that were transferred were about right. I think that, overall, that worked very well.

The thing that really made a difference to our overall funding last year, quite frankly, was the rather sizeable increase that occurred in the National Guard and Reserve Equipment Account (NGREA) funding. It enabled us to do some equipment purchases that we would not otherwise have been able to do. That may not be the best way to fund the equipment account, but it's better than not funding the equipment account. That was a big plus for us last year.

This year, it appears that our funding levels are about on track, and I think that we're executing those programs very efficiently, and I don't see any danger that we will be out of balance in our accounts.

Senator BEN NELSON. Thank you.

General.

General SHERRARD. Sir, we, too, transferred money within the Air Force last year, based on having a significant number of people

mobilized. We also had our 2004 funds decremented based on a certain number which was anticipated to be mobilized. I believe that we will be able to complete the year within the appropriations we were given, but, as I mentioned earlier, with the reduced number of active-duty members that we've been able to have the opportunity to ask to join our force, we have been forced to go to more of the non-prior members, which, in fact, drives up our initial active duty for training costs which we have in order to continue to operate out of that budget. So we've moved our monies within our two budget activity codes, from budget activity 2, which is our special tour, training tour days, up to budget activity 1, which is where that initial active-duty tour capability must be in order to pay those members to go to Basic Military Training (BMT). We are stable today, but we have no wiggle room. I don't anticipate nor foresee us having any military personnel account, RPA dollars, to transfer. We have reached our limit on our below threshold reprogramming authority and our ability to move between our two budget activity codes.

The important thing is maintaining readiness, maintaining our folks at the levels that are expected, and, more importantly, making certain that as we do our training, we do it in a manner that is safe. If it cannot be done safely, we do not do it. If training has to be slowed/stopped, we certainly will do that, rather than put our members and our equipment at risk.

Senator BEN NELSON. Thank you very much.

Thank you, Mr. Chairman.

Senator CHAMBLISS. Thank you, Senator Nelson.

Gentlemen, it's been a very good hearing. I very much appreciate your being here and giving us insight into your issues. I assure that as we move forward in the authorization process, we're going to take all of this into consideration.

I thank you. We have also received the prepared statements of the Naval Reserve Association and the Fleet Reserve Association which will be submitted for the record. With that, this hearing stands adjourned.

[The prepared statements of the Naval Reserve Association and the Fleet Reserve Association follow:]

PREPARED STATEMENT BY THE NAVAL RESERVE ASSOCIATION

Chairman Chambliss, Senator Nelson, and distinguished members of the subcommittee, on behalf of our 22,000 members, and on behalf of advocacy for the 86,000 active naval reservists, the mirrored interest of Guard and Reserve components, we are grateful for the opportunity to submit testimony, and for your efforts in this hearing.

Last year a popular craze in the press was to write about the plight of the mobilized reservist. These articles emphasized the anxiety of being away from work and or family. Today, a climate of continued utilization and sacrifice is painted as guardsmen and reservists replace combat tested personnel as they rotate home. Unfortunately, we are all more aware along with the active components of military deaths and casualties of our Armed Forces in Iraq. Our Guard and Reserve personnel are serving 365 days a year and have suffered in the casualties. These are the times that bring the issue of parity between the active component personnel and the Reserve component personnel to the forefront and into question. Selective Reserve Montgomery GI Bill (MGIB) improvements, TRICARE for selected reservists and an early retirement are three import equity issues to our members.

We do not have to remind Congress why you needed to provide for these Guard and Reserve Forces, but it is noted that it is a good thing you did, or where would we be today—by calling on them to go and serve in every major conflict that we

have experienced in recent memory. As of today—350,000 Guard and Reserve members recalled since September 11, 2001, is a true testimony of their surge-ability and readiness, and of the requirement to have a healthy Reserve component in all our Services. These are the forces that add 'just in time' combat might when our Nation calls. Judged by this metric of combat might, they are cost-effective and efficient resources.

The performance and efforts of today's military is without question in the forefront of our national and international news. Without question our Armed Forces is at the height of military prominence and involvement in our national security strategy. We foresee that this reliance will remain this way, as long as we are in this protracted war on terrorism, and executing both the National Security Strategy and evolving Homeland Security Strategy. Truly our Reserve components are providing for the defense of our Nation.

Yet, while these Guard and Reserve Forces are fighting the war in Iraq and being used throughout the world in peacekeeping missions, there are some who believe that they add little value; that resources authorized and appropriated by Congress could be used better somewhere else. The Guard and Reserve is oftentime the first payer in any attempt to balance the budget. In the Navy, dedicated Naval Reserve equipment that has been used in this recent war (F–18s, HH–60s, Coastal Warfare small boats) is being eliminated and Reserve units have been targeted for decommissioning. The fact that the equipment and personnel would be needed in a larger conflict (Korea, China) or could be utilized in homeland security is of little matter. Some of this is being mislabelled as transformational, and some of it is being engineered to occur as an outcome under base realignment and closure (BRAC). For these and other reasons Congress must remain engaged in maintaining our Reserve and Guard components.

We respectfully call on Congress to review and question current transformation and rebalancing efforts because of the aforementioned and the following;

- Guard and Reserve service members are responding without question, or hesitation.
- Guard and Reserve service members' families are responding without question.
- Guard and Reserve service members' employers are responding without question.
- Guard and Reserve hardware units have responded and are responding without question.
- Guard and Reserve hardware units have performed at and above standards and actually above any active component standard.
- Naval Reserve members and their families as a whole, view transformation and active Reserve integration acceptable, but understand that this means they will no longer have real units, with Required Operating Capabilities, and Programmed Operating Capabilities justifications. How reservists will be trained is a detail that hasn't been answered under current plans.
- Successful transformation of a Reserve component is rarely completed, solely with DOD or Service input. Outside assistance is necessary to achieve the right mix and right balance.

Rarely has there been this massive effort of organizational—equipment, personnel, cultural, and resource—transformation at the same time our country is at war. More importantly, rarely has our country attempted transformation of our Services while war is being conducted on several fronts.

The Navy is engaged from the top down and ground up in transformation of the Navy and Fleet response—developing expeditionary forces, redoing training matrices, procuring new technologies that will transform naval warfighting efforts, and now at the same time, implementing massive change of including the Naval Reserve service, in active training matrices.

This is all being done, when our Nation called upon the service members of the Naval Reserve—they responded, and now they are finding out their units are going to no longer exist—because we need more efficient, more effective, capabilities based surging forces. These are forces that cost 50 percent less than any active duty members or unit. They maintain their readiness—directed and reported by active components, at an overall higher sustained rate over time than their active counterpart. The Naval Reserve Force knows it must change, and some instances understands better business practices much better than any active member. However, they are now under the microscope of change, with more to loose than any Active Force member.

Reservists have not shown any achilles' heel as of yet. They are willing to sacrifice family and employment to serve their country, unexpectedly. Reservists have shown us time and time again that they'll volunteer when asked, despite the impact of their personal and professional life. This service beyond self is not appreciated by many on the active side or in DOD. Yet, they are being used again and again.

Rather than confront budget appropriators, the active components have been content to fill their force shortfalls with Reserve manpower, and this has been arguably good for the country.

If there is a raw nerve among reservists, it is caused by how individuals are being utilized, and how often that individual is being called up. Pride and professionalism is a large factor in the profile of a reservist as it is with any individual member of the armed services. They want to be used how they have been trained, and they want to complement the Active Forces. Recall and proper use of reservists need constant monitoring and attention. We agree that transformation of legacy personnel manpower program is overdue. But, congressional involvement in personnel transformation is mandatory, along with outside independent involvement.

Over and over, reservists are asked to make a voluntary mid- to long-term commitment of combining drills with multiple sets of 29 day orders. There was until last year an institutional bias to issuing reservists one set of orders for longer than 30 days thereby denying them greater entitlements. We still, after your impressive efforts in fiscal year 2004, believe that a continuum of entitlements for all Guard and reservists requires monitoring.

In today's American way of war, the way a reservist is used and recalled is vital to successful military operations, and essential to gaining the will of America. This has proven its worth over and over, and is relevant.

The question we are asking is: "Are the DOD legislative initiatives, rebalancing efforts and especially Department of Navy efforts—taking us in the right direction for a sound military and a strong national defense?" We hope that DOD is learning lessons from the past to avoid repeating old mistakes in the future, and the Naval Reserve Association stands ready to assist in turning lessons learned into improved policy.

Leaving nothing to chance however, we strongly urge Congress to legislate a commission on the transformation of Guard and Reserve of the 21st century. The transformation of our military is dynamic and includes the extended utilization of the Guard and Reserve Forces. There are numerous reviews of these issues. We feel it is time for Congress to take a thorough look at these issues with a commission in order to address the many problems that we are experiencing with our Guard and Reserve Forces. A congressional commission is warranted to review these issues properly.

Mr. Chairman and distinguished members of the committee, thank you for this opportunity. Details of specific issues of concern by our Association follow; we hope you can help address them.

PERSONNEL

Selective Reserve MGIB improvements

Issue: Currently SelRes MGIB benefits are at 19 percent of active duty entitlements.

Position: This shows clearly the priority of SelRes service members. This benefit should be higher and closer to the 48 percent mandated benefit. We must consider upgrading this benefit for those members that are responding to our Nation's call.

Temporary Recall of Reserve Officers (Three Years or Less)

Issue: To properly match the Reserve officers exclusion from the active duty list as provided for by 10 U.S.C. 641(1)(D) with a corresponding exclusion from the authorized grade strengths for active duty list officers in 10 U.S.C. 523. Without this amendment, the active component would have to compensate within their control grades for temporary recalled Reserve officers who are considered, selected and promoted by RASL promotion selection boards. This compensation causes instability in promotion planning and a reduction in "career" ADL officer eligibility and promotion for each year a Reserve officer remains on "temporary" active duty. Therefore, naval reservists are temporarily recalled to active duty and placed on the ADL for promotional purposes. End result—failure of selection due to removal from RASL peer group.

Position: Strongly support grade strength relief for the small percentage of Reserve officers who would possibly be promoted while serving on temporary active duty. Granting relief is a win-win situation. By removing the instability in promotion planning for the active component, Reserve officers can be issued recall or-

ders specifying 10 U.S.C. 641 (1)(D) allowing them to remain on the RASL for promotion purposes.

Healthcare

Issue: Healthcare readiness is the number one problem in mobilizing reservists. The Government's own studies show that between 20–25 percent of guardsmen and reservists are uninsured.

Position: We applaud the efforts of the TRICARE Management Activity (TMA). TMA has a strong sense of which the customer is. They emphasize communications, and are proactive at working with the military associations. Congress took decisive action in establishing the temporary healthcare program for Guard and Reserve Forces during the National Defense Authorization Act for Fiscal Year 2004. The Naval Reserve Association (NRA) would like to see a continued effort at implementing the established TRICARE health plan for uninsured drilling reservists, and establishing this program as a permanent program.

Early Reserve Retirement

Issue: A one-sided debate is being held through the press on whether changes should be allowed to Guard and Reserve to lower the retirement payment age. The DOD study on this issue was nonconclusive.

Position: Over the last two decades and recently more has been asked of guardsmen and reservists than ever before. The nature of the contract has changed; Reserve component members need to see recognition of the added burden they carry. Providing an option that reduces the retired with pay age to age 55 carries importance in retention, recruitment, and personnel readiness.

The NRA suggests a cost neutral approach to this issue that would not be that "expensive."

The NRA recommends for discussion/debate that Reserve retirement with pay prior to age 60 be treated like taking Social Security retirement early—if you elected to take it at say age 55, you take it at an actuarially reduced rate.

Most of the cost projected by DOD is for TRICARE healthcare, which begins when retirement pay commences. Again, if one takes Social Security before reaching age 65 they are not eligible for Medicare. NRA suggests that TRICARE for reservists be decoupled from pay, and eligibility remains at age 60 years.

At a minimum, the committee should consider the various initiatives and the cost neutral approach during the debate.

FORCE STRUCTURE

Roles and Missions

Issue: Pentagon study has highlighted that the Guard and Reserve structure, today, is an inherited Cold War relic. As a result, the Guard and the Reserve organization has become the focus of "transformation." While it won't be denied that there could be a need for change, transformation for transformation sake could be disadvantageous. Visionaries need to learn lessons from the past, assimilate the technology of the future, and by blending each, implement changes that improve war fighting.

Position: Navy has yet to deliver a vision of use of and equipping of the Naval Reserve Force. A commission on the transformation of the Guard and Reserve for the 21st century is warranted.

The Reserve Component as a Worker Pool

Issue: The view of the Reserve component that has been suggested within the Pentagon is to consider the Reserve as of a labor pool, where reservist could be brought onto active duty at the needs of a Service and returned, when the requirement is no longer needed. It has also been suggested that an active duty member should be able to rotate off active duty for a period, spending that tenure as a reservist, returning to active duty when family, or education matters are corrected.

Position: The Guard and Reserve should not be viewed as a temporary-hiring agency. Too often the active component views the recall of a reservist as a means to fill a gap in existing active duty manning. Voluntary recall to meet these requirements is one thing, involuntary recall is another.

The two top reasons why a reservist quits the Guard or Reserve is pressure from family, or employer. The number one complaint from employers is not the activation, but the unpredictability of when a reservist is recalled, and when they will be returned.

100 Percent Mission Ownership

Issue: DOD is looking at changing the Reserve and active component mix. "There's no question but that there are a number of things that the United States is asking its forces to do," Rumsfeld said. "And when one looks at what those things are, we find that some of the things that are necessary, in the course of executing those orders, are things that are found only in the Reserves."

Position: America is best defended through a partnership between the Government, the military, and the people. The NRA supports the continued recognition of the Abrams Doctrine, which holds that with a volunteer force, we should never go to war without the involvement of the Guard and Reserve, because they bring the national will of the people to the fight. While a review of mission tasking is encouraged, the active component should not be tasked with every mission, and for those it shares, no more heavily than their Reserve counterparts. Historically, a number of the high percentage missions gravitated to the Reserve components because the Active Forces treated them as collateral duties. The Reserve has an expertise in some mission areas that are unequaled because reservists can dedicate the time to developing skills and mission capability, and sharing civilian equivalencies, where such specialization could be a career buster on active duty.

Augmentees

Issue: As a means to transform, a number of the Services are embracing the concept that command and unit structure within the Reserve component is unnecessary. Reservists could be mustered as individual mobilization augmentees and be called up because often they are recalled by skills and not units.

Position: An augmentee structure within the Naval Reserve was attempted in the 1950s/1960s, and again in the 1980s. In one word: Failure! Reservists of that period could not pass the readiness test. The image of the selected reservists, sitting in a Reserve Center reading a newspaper originates from the augmentee era. Some semblance of structure is needed on a military hierarchy. Early on, naval reservists created their own defense universities to fill the training void caused by mission vacuum.

Business Initiative

Issue: Many within the Pentagon feel that business models are the panacea to perceived problems within military structure.

Position: Reservists have the unique perspective of holding two careers; many with one foot in business and one foot in the military. The NRA suggests caution rather than rush into business solutions. Attempted many times in the past, business models have failed in the military even with commands that proactively support.

Among the problems faced are:

- Implementing models that are incompletely understood by director or recipient.
- Feedback failure: "Don't tell me why not; just go do it!"
- The solution is often more expensive than the problem.
- Overburdened middle management attempting to implement.
- Cultural differences.
- While textbook solutions, these models frequently fail in business, too.

Equipment Ownership

Issue: An internal study by the Navy has suggested that Naval Reserve equipment should be returned to the Navy. At first glance, the recommendation of transferring Reserve component hardware back to the active component appears not to be a personnel issue. However, nothing could be more of a personnel readiness issue and is ill advised. Besides being attempted several times before, this issue needs to be addressed if the current National Security Strategy is to succeed.

Position: The overwhelming majority of Reserve and Guard members join the RC to have hands-on experience on equipment. The training and personnel readiness of Guard and Reserve members depends on constant hands-on equipment exposure. History shows this can only be accomplished through Reserve and Guard equipment, since the training cycles of active components are rarely if ever synchronized with the training or exercise times of Guard and Reserve units. Additionally, historical records show that Guard and Reserve units with hardware maintain equipment at or higher than average material and often better training readiness. Current and future war fighting requirements will need these highly qualified units when the combatant commanders require fully ready units.

Reserve and Guard units have proven their readiness. The personnel readiness, retention, and training of Reserve and Guard members will depend on them having

Reserve equipment that they can utilize, maintain, train on, and deploy with when called upon. Depending on hardware from the active component has never been successful for many functional reasons. The NRA recommends strengthen the Reserve and Guard equipment in order to maintain highly qualified trained Reserve and Guard personnel.

Closure of Naval Reserve Activities

Issue: Discussion has emerged, suggesting that a large number of Naval Reserve Centers and Naval Air Reserve activities be closed, and that naval reservists could commute to Fleet Concentration Areas to directly support gaining commands and mobilization sites.

Position: The NRA is opposed to this plan for the following reasons.

A. The Naval Reserve is the one Reserve component that has Reserve activities in every State. To close many of these would be cutting the single military tie to the civilian community.

B. The demographics of the Naval Reserve is that most of the commissioned officers live on the coasts, while most of the enlisted live in the hinterland, middle America. The naval reservists who are paid the least would have to travel the farthest.

C. The active duty concept of a Naval Reserve is a junior force, a structure based upon enlisted (E1–E3s) and officers (O1–O2s) billets that can't be filled because the individuals haven't left the fleet yet. When the Coast Guard "transformed" its Reserve Force, it was a forced restructuring that RIFFed many senior officer and enlisted leadership from the USCGR ranks, and caused a number of years of administrative problems.

D. If training at fleet concentration centers was correctly implemented, the Navy should bear the expense and burden of transportation and housing while on site. Additionally, at locations such as Naval Station Norfolk, the overlap of active duty and Reserve training has shown an increased burden on bachelor quarters and messing facilities. Frequently, reservists must be billeted out on the economy. With these extra costs, training would prove more expensive.

E. Such a plan would devastate the Naval Reserves; retention would plummet, training and readiness would suffer.

SUMMARY

Commission on Transformation of Guard and Reserve of 21st Century

The transformation of our military is dynamic and includes the extended utilization of the Guard and Reserve Forces. There are numerous reviews of these issues. We feel it is time for Congress to take a detailed look at these issues with a commission in order to address the many problems that we are experiencing with our Guard and Reserve Forces. A congressional commission is warranted to review these issues properly.

The Four "Ps" can identify the issues that are important to reservists: Pay, Promotion, Points, and Pride.

Pay needs to be competitive. As reservists have dual careers, they have other sources of income. If pay is too low, or expenses too high, a reservist knows that time may be better invested elsewhere.

Promotions need to be fairly regular, and attainable. Promotions have to be through an established system and be predictable.

Points reflect a reservist's ambitions to earn retirement. They are as creditable a reinforcement as pay; and must be easily tracked.

Pride is a combination of professionalism, parity and awards: doing the job well with requisite equipment, and being recognized for ones efforts. While people may not remember exactly what you did, or what you said, they will always remember how you made them feel.

If change is too rapid anxiety is generated amid the ranks. As the Reserve component is the true volunteer force, reservists are apt to vote with their feet. Reservists are a durable resource only if they are treated right. Navy plans do not provide for these key points and do not treat the reservist correctly. Current conditions about the world highlights the ongoing need for the Reserve component as key players in meeting National Security Strategy; we can't afford to squander that resource.

PREPARED STATEMENT BY THE FLEET RESERVE ASSOCIATION

THE FRA

The Fleet Reserve Association (FRA) is the oldest and largest organization serving enlisted men and women in the active, Reserve, and retired components of the Navy, Marine Corps, and Coast Guard, and as a congressionally chartered association recognized by the Department of Veterans' Affairs (VA), as a representative of all veterans seeking its assistance.

FRA also is a major participant in the 35-member consortium, The Military Coalition (TMC). Members of its staff serve in a number of TMC leadership roles. Master Chief Barnes is co-chairman for the Military Personnel/Compensation/Commissary Committee. Another, Retired Navy Sr. Chief Bob Washington, is co-chairman of the Health Committee, and FRA's Legislative Counsel, Retired Marine Sgt. Major Mack McKinney, is one of the four TMC elected officers.

FRA efforts over its nearly 80 years have resulted in legislation enhancing quality of life programs for Sea Services personnel and other members of the Uniformed Services while protecting their rights and privileges. CHAMPUS, now TRICARE, was an initiative of FRA, as was the Uniformed Services Survivor Benefit Plan (USSBP). As of late, FRA led the way in reforming REDUX, obtaining targeted pay increases for mid-level enlisted personnel, and sea pay for junior enlisted sailors.

FRA's motto is: "Loyalty, Protection, and Service."

CERTIFICATION OF NON-RECEIPT OF FEDERAL FUNDS

Pursuant to the requirements of House Rule XI, the FRA has not received any Federal grant or contract during the current fiscal year or either of the 2 previous fiscal years.

INTRODUCTION

Mr. Chairman and other distinguished members of the subcommittee: the FRA is grateful for the opportunity to present personnel goals for fiscal year 2005. Before continuing, I want to express deep appreciation on behalf of the association's membership for the quality of life improvements for our Nation's men and women in the uniformed services implemented over the past few years. What this august group has done for our active duty, Reserve, and retired service members is not only superlative but unusually generous for Congress in comparison with the previous two to three decades.

FRA salutes you for a job superbly done.

In light of the generosity of this subcommittee and Congress, the association is hesitant to submit additional requests. However, in representing its membership, FRA must make an effort to voice concerns of the men and women serving in or having retired from the United States Navy, Marine Corps, and Coast Guard.

Reservists are concerned about health care, operational tempo (OPTEMPO), enhanced retirement benefits, special pays, and increased MGIB proceeds. In the Active Force, the plea is for increased compensation to compensate for the arduous operational and personal tempos thrust upon the members of the uniformed services. Others prefer better housing, perhaps increased child-care programs, or any of the many programs and benefits available to them and their families. The retired community seeks positive changes to the USSBP, full concurrent receipt of military retirement pay and VA service connected payments, and a reasonable access to health care services.

What follows is a list of recommendations on Reserve issues.

HEALTH CARE

Reserve Deployment and Post-Deployment Health Issues

FRA is most appreciative to Congress for including the Temporary Reserve Health Care Program (Sections 702) in the National Defense Authorization Act for Fiscal Year 2004. This program will provide temporary coverage, until December 2004, for Reserve members who are uninsured or do not have employer-sponsored health care coverage. TRICARE officials plan to build on existing TRICARE mechanisms to assist in implementation; however, the TRICARE Management Activity is not certain how long this will take. Reserve component members are anxious to enroll, and fear that the coverage period may be lost. Immediate implementation is required. TRICARE officials plan to build on existing TRICARE mechanisms to expedite implementation; however, no one is certain how long this will take. Immediate implementation is required.

The Association is also grateful to the subcommittee for sections 703 and 704 of the National Defense Authorization Act. Section 703, Earlier Eligibility Date for TRICARE Benefits for Members of Reserve Components, provides TRICARE health care coverage for reservists and their family members starting on the date a "delayed-effective-date order for activation" is issued. Section 704, Temporary Extension of Transitional Health Care Benefits, changes the period for receipt of transitional health care benefits from 60 or 120 days to 180 days for eligible beneficiaries. These provisions should be easier to implement than the TRICARE buy-in provision of section 702 and we understand that the technical fixes to the Defense Eligibility and Enrollment Reporting System (DEERS) are being made to implement the section 704 benefits. We are concerned, however, that the latest word from DOD, a February 12, 2004, press release announcing the implementation of these benefits, provided few details about the implementation and continued to encourage beneficiaries to save their receipts for health care incurred in the demonstration period "in the event the sponsor is determined to be eligible and the care qualifies for retroactive TRICARE reimbursement once the 2004 Temporary Reserve Health Benefit Program begins."

Congress recognized the extraordinary sacrifices of our citizen-soldiers by extending this pre- and post-mobilization coverage. Now it's time to recognize the changed nature of 2lst century service in our Nation's Reserve Forces by making these pilot programs permanent.

FRA urges the subcommittee to endorse permanent authorization of all provisions of the Temporary Reserve Health Care Program (Sec. 702, 703, and 704 P.L. 108–136) to support readiness, family morale, and deployment health preparedness for Reserve service members.

Other medical and family readiness issues of concern to FRA include the following:

- Optional Payment of Premiums for Employer or Personal Health Insurance. Reserve family members are eligible for TRICARE if the member's orders to active duty are for more than 30 days; but some families would prefer to preserve the continuity of their health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients.

  Recognizing these challenges for its own reservist-employees, the Department of Defense routinely pays the premiums for the Federal Employee Health Benefit Program (FEHBP) when activation occurs. In addition, Congress authorized all other Federal departments and agencies to provide this benefit. If this benefit is good for the roughly 10 percent of the Selected Reserve who are Federal workers, it ought to be provided in kind to the rest of the Reserve as an option.

The FRA urges the subcommittee to authorize payment of civilian health care premiums (up to the TRICARE limit) as an option for mobilized service members.

- Dental readiness. Currently, DOD offers a dental program to Selected Reserve members and their families. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic, and oral surgery services on a cost-share basis, with an annual maximum payment of $1,200 per enrollee per year. However, only 5 percent of eligible members are enrolled.

  During this mobilization, soldiers with repairable dental problems had teeth pulled at mobilization stations to meet deployment timetables. Congress responded by passing legislation that allows DOD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization in support of an operational mission, contingency operation, national emergency, or war. Unfortunately, waiting for an alert to begin screening is too late. During the initial mobilization for OIF, the average time from alert to mobilization was less than 1.4 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many reservists get only days notice before call-up.

FHA recommends expansion of the TRICARE Dental Plan benefits for Reserve service members. This would allow these personnel to maintain dental readiness and enable reservists to meet readiness and deployment standards.

- Medical Holds. The Association is grateful for the subcommittee's leadership in drawing attention to and directing action on the medical hold back-

logs. While the association appreciates the subcommittee's efforts as well as those of the defense medical community, we believe that a root cause of medical holds is the lack of consistent and comprehensive screening protocols, and the resources to support them.

• Reserve component members often must complete their physical exams in the private sector. For those who do not have insurance there is an understandable reluctance to incur an unreimbursable expense. Even for those with employer-sponsored insurance or insurance through others means, a routine physical is often not a covered benefit. (Routine physicals are not a TRICARE Standard benefit either.) Providing the military services with adequate resources to ensure that Reserve component members receive required medical screening and treatment necessary to ensure medical readiness must be a high priority.

• Coordination of TRICARE—VA Benefits During Post-Deployment Period. In 2002, the VA established a policy permitting returning Reserve combat theatre veterans to have 2-years' access to VA care without regard to a VA disability rating (VHA Directive 2002–049). Service members are assigned to VA priority group '6' pending completion of their ratings. While FRA applauds this effort to provide extended benefits, we have several concerns.

During transition there will be an overlapping period when service members will have both TRICARE and VA benefits. The Association has concerns about "the handoff" of these individuals from one system to the other. What kind of support is available to assist them to better understand which benefit to use and when? How proactive are both departments in educating service members?

Eventually, these new veterans will undergo medical evaluation and some may receive a VA disability compensation rating. For those assigned to VA priority groups 1–6, the usual access rules will apply. Unless they have been reliant on VA services those assigned to VA priority 7 or 8 could be disenrolled from VA health care. That could defeat the objective of continuous health surveillance beyond the 2-year window.

FRA is grateful for extended TRICARE and VA health benefit coverage for returning reservists and we recommend closer collaboration between DOD and VA to ensure service members are educated on their coverage alternatives during transition.

Mental Health Care Services

As previously stated, acute physical injuries arising from combat receive world-class care. The FRA is concerned about scars of war that can't be seen or easily evaluated—the psychological conditions that inevitably arise from war, such as post-traumatic stress disorder (PTSD) and escalated domestic violence. The demographics of the volunteer force are vastly different than the largely conscripted forces of conflicts before the first Gulf War. Today, more than 50 percent of the force is married and many young service members have dependent children.

While both the DOD and the VA have experience treating mental illness caused by war, our concern is also for the families who must adjust to service members who return with the physical, emotional, and psychological scars of war. Who will be there to help the family members whose lives will be changed forever?

FRA is deeply concerned about the mental health of all returning service members and their families. Reserve component members and their families—many of whom live far from the support services provided on military installation—may experience additional stressors as a result of the disruption from mobilization. The association is also concerned that many of the mental health issues may not emerge until sometime in the future, after these families' eligibility for TRICARE has ended. Where will these families find the help they may need? How will deployment-related mental health issues that emerge among Reserve component service members and their families after the service members' return to their civilian occupation and communities be identified and tracked in statistics of deployment-related health care issues?

FRA notes that all service members and Reserve component personnel and their families can now access the "OneSource" 24-hour information and referral service previously available only for Marine Corps and Army personnel. OneSource provides information and assistance in such areas as parenting and childcare, educational services, financial information and counseling, civilian legal advice, elder care, crisis support, and relocation information. The service is available via telephone, email, or the web and is designed to augment existing service support activities and to link customers to key resources, web pages, and call centers. It will also be available to family center staff.

FRA recommends that the subcommittee endorse the necessary resources to support robust psychological services for our Nation's service members and veterans.

PAY

Always number one in most surveys completed by FRA and the Active Forces is pay. This distinguished subcommittee, alerted to this fact for the past 6 years, has improved compensation that, in turn, enhanced the recruitment and retention of uniformed personnel in an all-volunteer environment. Adequate and targeted pay increases for middle grade and senior petty and noncommissioned officers have contributed to improved morale and readiness. With a uniformed community that is more than 50 percent married, satisfactory compensation relieves much, if not all the tension brought on by operational and personal tempos.

For the fiscal year 2005, the administration has recommended a 3.5 percent across the board basic pay increase for members of the Armed Forces. This is commensurate with the 1999 formula to provide increases of 0.5 percentage points greater than that of the previous year for the private sector. With the addition of targeted raises, the formula has reduced the pay gap with the private sector from 13.5 percent to 5.2 percent following the pay increase programmed for January 1, 2005.

FRA, however, is disappointed that the Office of Management and Budget (OMB) is opposed to targeted pay increase for certain enlisted and officer pay grades. This in the face of the DOD's projected recommendation to affect targeted pays along the line of those authorized for fiscal year 2004. Targeting pay hikes for fiscal year 2005 and fiscal year 2006 will aide the DOD's quest to increase basic pay for career personnel to equal those in the private sector earned by workers having similar education and experience levels. Comparability with private sector wage growth remains a fundamental underpinning of the all-volunteer force. To ignore it would result in severe consequences to the national defense.

FRA urges the subcommittee to adopt a targeted pay table for fiscal year 2005, at least proportionate to that of January 1, 2004, and ensure that uniformed members of the Public Health Service (USPHS) are included in the pay increase authorized for fiscal year 2005.

OPERATIONAL TEMPO

The increase in the use of Reserve units to serve along side active duty components in Iraq, as an example, has caused considerable challenges for individual reservists. Not only has their mobilization placed a strain on employment and income, but the family as well. Employer support, once strong, decreases as more essential employees are whisked off to spend longer periods in uniform leaving the employer frustrated with having to find a replacement and, at the same time, hold the position open for the reservist's return.

FRA has always supported the Total Force Policy but is concerned that the sustained use of Reserve Forces will eventually harm the recruiting and retention of young men and women willing to serve as future citizen sailors, marines, and coast guardsmen. The United States must maintain a strong Reserve Force at all times in the event of a greater need than at the present.

FRA recommends that a review of the Reserve's role in the Total Force Policy be affected at the earliest and that it provide recommendations to this subcommittee on what enhancements are necessary to recruit and retain the number of reservists required for the defense of the United States. Recommendations may include such issues as tax relief, healthcare, retirement upgrades, improvements in the MGIB–SR, and family support programs.

Force Size/Readiness/OPTEMPO/PERSTEMPO

Force size, readiness, OPTEMPO, and personnel tempo (PERSTEMPO) should be addressed simultaneously. Readiness cannot be achieved at the high level demanded if force size is inadequate in numbers, OPTEMPO is too heavy and PERSTEMPO is affecting the performance of individual service members. FRA believes that all are suffering due to a shortage of uniformed members. Once again, DOD apparently is so concerned with the cost of personnel that it is reluctant to increase manpower strengths when it's obvious to FRA and others there is a need for more troops. If DOD says there is no requirement for more troops than authorized, then why did three of the military services issue stop-loss orders to many of their uniformed personnel? "It reflects the fact that the military is too small," says Charles Moskos, a leading military sociologist, "which nobody wants to admit."

The Department played an integral role in having Congress give birth to the all-volunteer force. As such, it must stay the course realizing that people who volunteer

to lay down their lives and limbs will not do so at the same level of compensation offered their predecessors of the WWII–Vietnam era. Today 50 percent or more of our military personnel are married and have families. It costs money to enfold these families under the military's social umbrella. If the United States desires an all-volunteer Armed Force, it will have to pay the price. Paying the price will allow the Department to increase the size of its uniformed force in order to relieve the pressure of lengthy deployments, long hours on duty, and family concerns, each having its own negative effect on readiness. One service chief stated that he would spend every dollar available to "modernize" his service (how many years now?), but not one cent more for people. Such a statement seems incredible when one knows historically that final victory is in the hands of the people.

FRA recommends that the military services be afforded the opportunity to determine the size of its forces and the number of personnel necessary to perform the mission. However, it does little good to authorize an increase in manpower when funding is not supportive of the numbers.

EDUCATION

FRA advocates the creation of a benchmark for the MGIB so its benefits will keep pace with the cost of an average 4-year college education. Even with the October 1, 2004, increases in basic rates, a MGIB student looking forward to completing the 2004–2005 academic year will have to pay out-of-pocket about one-third the cost of a 4-year course of education in a public college or university. If married, the shortfall in benefits will place a heavier financial burden on the student.

A significant percentage of the Navy's enlisted force has no educational benefits. It seems ironic that an individual enlisting in the military services is eligible to enroll in the MGIB while another seeking to reenlist does not have the opportunity. Allowing service members to enroll in the MGIB upon reenlisting in the Armed Forces should be the norm.

FRA continues to support increased benefits for participation in the MGIB and to authorize certain service members the opportunity to enroll or re-enroll in the MGIB.

MGIB–SR. The Selected Reserve MGIB has failed to maintain a creditable rate of benefits with those authorized in title 38, chapter 30. Other than cost-of-living increases, only two improvements in benefits have been legislated since 1985. In that year MGIB rates were established at 47 percent of active duty benefits. This past October 1, the rate fell to 27 percent of the chapter 30 benefits. While the allowance has inched up by only 7 percent since its inception, the cost of education has climbed significantly.

FRA stands four square in support of the Nation's reservists. To provide an incentive for young citizens to enlist and remain in the Reserves, FRA recommends to Congress the pressing need to enhance the MGIB–SR rates for those who choose to participate in the program.

Academic Protection for reservists

There are cases where reservists, attending higher institutions of learning, called to active duty in the defense of the Nation and its citizens, lose credits or pre-paid tuition costs because they did not complete the course of instruction. FRA believes Congress should adopt provisions of law that require colleges and universities to retain and reactivate the credits and prepaid costs for the reservists upon demobilization.

FRA urges Congress to adopt legislation that would provide academic and financial protection to members of the Reserve who are attending an institution of higher learning when called to active duty.

UNIFORMED SERVICES FORMER SPOUSES PROTECTION ACT (USFSPA)

The USFSPA is a statute adopted without hearings on the House side and no up-or-down vote in the Senate. As one member of the House said at the time, the law will cause more problems than it will solve. How true the prediction.

Since its inception in 1982, more than two-thirds of States have adopted community property laws. More have turned to no-fault decisions in determining the outcome of divorces. Some of the actions were the result of State courts embracing the USFSPA as a means to automatically strip military retirees of their hard-earned retirement pay for the payment of alimony to a former spouse who in far too many cases, failed to dedicate the same number of years to the marriage and the military. Whether serving in war or peace, the military member is credited only 2½ percentage points for each year of active duty. It takes at least 20 years to receive sufficient credits to qualify for retirement. On reaching that plateau the member becomes en-

titled to 50 percent of his or her active duty pay. Fifty percent of the member's active duty pay, by the way, is nearer to 30 percent of all pay and allowances earned while serving in uniform.

One of the major problems with USFSPA is it allows State courts to consider military retired pay as property that may be divided between the retiree and the spouse/former spouse. The court, with little or no knowledge of how the retiree earns retired pay, grants the spouse/former spouse a portion of that retired pay for the life of the retiree, regardless of the number of years of marriage. A lifetime of payments to a spouse/former spouse for a period of marriage less than 20 years during which the retiree was slowly accruing only 2½ percent for each of those years is unfair, inequitable and discriminating.

The spouse/former spouse should not be entitled to more than an equal percentage of the retiree's retirement pay for each year of marriage and should not be in receipt of that amount for any longer than the number of years of marriage. Although the service member is not entitled to retired pay until the minimum credible time is completed, the former spouse can become eligible at any time based on the decision of a civil court.

It's a terrible law. Moreover, since State courts have little if anything to say about how the military directs its people to serve the Nation, and service members agree only to defend the Constitution, why does the Federal Government dump its fiscal responsibilities to its uniformed members onto the State courts?

FRA recommends that this subcommittee, this Congress, accept the responsibility of conducting a review and the possible adoption of amendments to the Uniformed Services Former Spouses Protection Act. [10 USC, 1408] to establish a more equitable division of the service member's retirement pay with a spouse/former spouse upon dissolution of a marriage.

SURVIVOR BENEFIT PLAN

FRA has experienced a greater concern for improving the Uniformed Services Survivor Benefit Program (USSBP) than any issue on its Web site (www.fra.org). With an average age of 68 on the association's membership roll, the concern is justified. Most convincing is the need to revise the language in the current plan to reduce the "social security offset" that penalizes annuitants at a time when the need is the greatest. Then there are the many members, age 70 and older, who have been paying into the plan for more than 30 years with the only relief more than 4 years into the future.

There are three compelling reasons to amend the plan. One, the cost of participating in USSBP has increased from 60 percent for the military retiree to more than 80 percent allowing the DOD to renege on its original charge to provide 40 percent of the cost. Two, the USSBP was fashioned from the survivor program for retired Federal employees, yet the military retiree on the average will pay more for participating in his or her plan and the military retiree's survivor will receive a smaller annuity. Three, the military retiree on the average will pay into the USSBP over a longer period than the Federal retiree. Although Congress has adopted a time for USSBP participants to halt payments of premiums (when payments of premiums equal 30 years and the military retiree is 70 years of age) the date is more than 4 years away. Military retirees enrolling on the initial enrollment date (1972) will this September be paying premiums for 32 years, by 2008, 36 years.

FRA recommends and urges the subcommittee to adopt the House bill, H.R. 3763, that would amend the USSBP to restore the value of service members participating in the program by increasing the survivor annuity over a 10-year period to 55 percent, and the date 2008 to October 31, 2004, when certain participants attaining the age of 70 and having made payment to the plan for at least 30 years are no longer required to make such payments.

MEDICAL CARE RECOVERY ACT

In the summer of 2003 while the new Sergeant Major of the Marine Corps was in the process of assuming his duty, his wife was nearly killed by a "wayward driver." She spent weeks in a Navy hospital the recipient of emergency brain surgery, intensive care, military air transportation to Washington, DC, from California, and both occupational and physical therapy. Now the Navy is proceeding to recover the returns from the insurance companies of both parties, an estimated $100,000.

The Navy, as with the other Services, cites a 41-year-old law, Medical Care Recovery Act, as the basis to collect payment for medical care administered to uniformed personnel. According to a January 4, 2004, news article by James W. Crawley in the San Diego Union Tribune, the Navy collected $11 million in reimbursements

from insurance companies in the past year "that would have gone to sailors, marines, and their dependents."

Apparently, the law is reasonable. The Navy operates its medical facilities with taxpayer funds and it is only right that these expenditures be recovered whenever possible. However, the question of fairness rises to the front when the process of recovery goes against the victim. FRA believes any recovery should come from the insurance of the party at fault. In many cases the proceeds from the victim's insurance policy will be earmarked for expenses involved in the continued care of the victim, baby-sitting, replacement vehicle, and other everyday living requirements not now accomplished on a personal basis but by payment or hire.

The ironic part of this statute is that recovery is only collectible through a third party. If a service member is injured as a result of "willful and negligent" acts and in receipt of medical care in a military treatment facility, no claim of recovery can be made against the member.

The law does allow the Secretary concerned to waive a claim of the United States. However, it is doubtful that affected service members are aware such a waiver may be granted if requested. Such knowledge such be disseminated to all service members through the military's information program and upon receipt of treatment and care at a military treatment facility.

FRA recommends a review of the law, 10 U.S.C. 1095, and the possibility of an amendment authorizing the no-fault victim to retain a certain percentage of the proceeds from insurance claims so the no-fault victim will not bear a fiscal burden during a time of financial need.

OTHER ISSUES

Health Care

The Fleet Reserve Association has prepared a statement on health care available on request to Bob Washington, Director of Legislative Programs, 703–683–1400, or e-mail (legfra@fra.org).

Military Construction/Family Housing

The association's statement on Military Construction/Family Housing is available on request to Bob Washington at the above addresses.

CONCLUSION

FRA is grateful for the opportunity to present its Reserve goals for fiscal year 2005. If there are questions or a need for further information, please call Bob Washington, FRA Director of Legislative Programs, at 703–683–1400.

[Whereupon, at 12:10 p.m., the subcommittee adjourned.]